From: Ricker, Monique T. EOP/USTR Monique_T_Ricker@ustr.eop.gov &

Subject: RE: FOIA Request (USTR-18-0739)

Date: April 24, 2019 at 3:38 PM

To: American Oversight FOIA foia@americanoversight.org

Cc: FN-USTR-FOIA FN-USTR-FOIA@ustr.eop.gov



This email is the final response of the Office of the United States Trade Representative (USTR) to Freedom of Information Act (FOIA) No. FY19-11 (USTR-18-0739) dated October 23, 2018 and perfected via email on November 5, 2018 requesting all communications containing at least one term from column A (Tarif*, Tarrif*, 232, 1862, 301, or 2411) and one term from column B (War, Tit-for-tat or Escalat*) from January 20, 2017 to October 25, 2019, the date the search was conducted.

After a search of our files utilizing eDiscovery software, we have located 247 pages of responsive documents of which we are releasing in part 205 pages and withholding in full 42 pages. Because of the size of the file, you may access it here: https://drive.max.gov/share/1247bc533941782b

We reasonably foresee that disclosure would harm an interest protected by FOIA Exemption 5 or 6. Exemption 5 protects from disclosure "inter-agency or intra-agency memorandums or letters which would not be available by law to a party other than an agency in litigation with the agency." The materials are exempt under the deliberative process privilege, which protects the decision-making processes of the executive branch in order to safeguard the quality and integrity of governmental decisions. The deliberative process privilege protects materials that are both predecisional and deliberative. The privilege covers records that reflect the give-and-take of the consultative process and in this instance includes:

- Draft talking points and Q&A prepared by staff for meetings with the EU on the section 301 investigation of China (3 pages);
- Background memorandum prepared for Ambassador Lighthizer on proposed actions related to the U.S.-China relationship (11 pages);
- Draft presidential statement to which we provided a link to the final statement (one page);
 and
- USTR employees' summaries and impressions of meetings with Heads of Delegations (27 pages).

These records reflect the personal opinions of the writers rather than the policy of the agency. The release of these records would have a chilling effect on the USTR's deliberative processes and expose the USTR's decision-making process in such a way as to discourage candid discussion within the agency, and thereby undermine its ability to perform its mandated functions.

We also redacted cell phone numbers and non-public email addresses pursuant to FOIA Exemption 6, which protects personal information the release of which would not shed light on the performance of the agency's statutory duties.

This constitutes a complete response to your request. You may contact me or my colleague Melissa Keppel by email at FOIA@ustr.eop.gov or 202-395-3419 for any further assistance and to discuss any aspect of your request. Additionally, you may contact the Office of Government Information Services (OGIS) at the National Archives and Records Administration to inquire about the FOIA mediation services they offer. The contact information for OGIS is as follows: Office of Government Information Services, National Archives and Records Administration, 8601 Adelphi Road-OGIS, College Park, Maryland 20740-6001, e-mail at ogis@nara.gov; telephone at 202-741-5770; toll free at 1-877-684-6448; or facsimile at 202-741-5769.

If you are not satisfied with the response to this request, you may also administratively appeal by writing to: FOIA Office, GSD/RDF; ATTN: Janice Kaye, Anacostia Naval Annex, Bldg. 410/Door



123, 250 Murray Lane, S.W., Washington, D.C. 20509.

Your appeal must be postmarked or electronically transmitted within 90 days of the date of the response to your request. Both the letter and the envelope should be clearly marked: "Freedom of Information Act Appeal" and should include a reference to the FOIA Case File number listed above. Heightened security in force may delay mail delivery; therefore we suggest that you also email any such appeal to foia@ustr.eop.gov.

In the event you are dissatisfied with the results of any such appeal, judicial review will thereafter be available to you in the United States District Court for the judicial district in which you reside or have your principal place of business, or in the District of Columbia, where we searched for the records you requested.

Thank you, Monique

Monique T. Ricker FOIA Program Manager/Attorney

EXECUTIVE OFFICE OF THE PRESIDENT OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE WASHINGTON DC 20508

From: American Oversight FOIA <foia@americanoversight.org>

Sent: Tuesday, October 23, 2018 3:31 PM

To: FN-USTR-FOIA <FN-USTR-FOIA@ustr.eop.gov> **Subject:** [EXTERNAL] FOIA Request (USTR-18-0739)

Dear FOIA Officer:

Please find pasted below and attached a request for records under the Freedom of Information Act.

Sincerely,

Clay M. Goode
Paralegal
American Oversight
foia@americanoversight.org
>www.americanoversight.org< I @weareoversight

FOIA: USTR-18-0739

October 23, 2018

VIA ELECTRONIC MAIL



Janice A. Kaye, FOIA Officer

Office of the U.S. Trade Representative

Anacostia Naval Annex Building 410/Door 123 250 Murray Lane SW Washington, DC 20509

FOIA@ustr.eop.gov

Re: Freedom of Information Act Request

Dear Freedom of Information Officer:

Pursuant to the Freedom of Information Act (FOIA), 5 U.S.C. § 552, and your agency's implementing regulations, American Oversight makes the following request for records.

President Trump since January 2018 has imposed a series of tariffs on various goods and countries. In late September 2018, Trump announced 10 percent tariffs on \$200 billion a year of Chinese goods, and Chinese officials quickly responded with tariffs on \$60 billion in American goods.[1] Press reporting suggests decisions regarding tariffs are being made in a haphazard fashion without following standard procedures of coordinating across government departments and agencies.[2] In addition, sectors and trade groups are being taken by surprise by the escalatory trade tactics.[3]

American Oversight seeks the following records in an effort to shed light on the effect of the administration's trade policies on American manufacturing and employment, and to determine the influence of industry lobbyists on administration policies.

Requested Records

American Oversight requests that your agency produce the following within twenty business days:

All records reflecting communications (including emails, email attachments, calendar entries/invitations) of the agency custodians specified below with at least one term from column A and one term from column B:

	Column A		Column B
i.	Trade	i.	War



ii.	Tarif*	ii.	Tit-for-tat
iii.	Tarrif*	iii.	Escalat*
iv.	232	iv.	Exempt*
V.	1862	v.	Exclu*
vi.	301		
vii.	2411		
viii.	Argentina		
ix.	Australia		
X.	Brazil		
xi.	Canad*		
xii.	China		
xiii.	Chinese		
xiv.	E.U.		
XV.	EU		
xvi.	Europe*		
xvii.	India		
xviii.	Mexic*		
xix.	South Korea		
XX.	KORUS		

Please note that American Oversight is here using the asterisk (*) to designate the standard use of "wildcards" in the search for responsive records. For example, a search for "separat*" would return all of the following: separate, separates, separated, separation, etc. If you are unable to search for wildcards, please advise so that we may specifically include the variations that we would like searched.

Specified Agency Custodians:

- a. Any political appointees* in the immediate Office of the Trade Representative, including:
 - i United States Trade Penrasantative and anyone acting on his behalf



- 1. Office States frage representative, and anyone acting on his ochan
- ii. Deputy United States Trade Representatives, and anyone acting on their behalf
- iii. Counselor to the United States Trade Representative
- iv. All Chiefs of Staff and Deputy Chiefs of Staff
- b. Any political appointees* in the immediate Office of Congressional Affairs, including:
 - i. Assistant United States Trade Representative for Congressional Affairs, and anyone acting on his behalf
 - ii. Deputy Assistant United States Trade Representative for Congressional Affairs, and anyone acting on his behalf
 - iii. Director for Congressional Affairs, and anyone acting on his behalf
- c. Any political appointees* in the immediate Office of the Chief Agriculture Negotiator, including:
 - i. Chief Agricultural Negotiator, and anyone acting on his behalf

*"Political appointee" should be understood as any person who is a Presidential Appointee with Senate Confirmation (PAS), a Presidential Appointee (PA), a non-career SES, any Schedule C employees, or any persons hired under Temporary Non-Career SES Appointments, Limited Term SES Appointments, or Temporary Transitional Schedule C Appointments.

Please provide all responsive records from January 20, 2017, through the date the search is conducted.

In addition to the records requested above, American Oversight also requests records describing the processing of this request, including records sufficient to identify search terms used and locations and custodians searched and any tracking sheets used to track the processing of this request. If your agency uses FOIA questionnaires or certifications completed by individual custodians or components to determine whether they possess responsive materials or to describe how they conducted searches, we also request any such records prepared in connection with the processing of this request.

American Oversight seeks all responsive records regardless of format, medium, or physical characteristics. In conducting your search, please understand the terms "record," "document," and "information" in their broadest sense, to include any written, typed, recorded, graphic, printed, or audio material of any kind. We seek records of any kind, including electronic records, audiotapes, videotapes, and photographs, as well as letters, emails, facsimiles, telephone messages, voice mail messages and transcripts, notes, or minutes of any meetings, telephone conversations or discussions. Our request includes any attachments to these records. **No category of material should be omitted from search, collection, and production.**



Please search all records regarding agency business. You may not exclude searches of files or emails in the personal custody of your officials, such as personal email accounts. Records of official business conducted using unofficial systems or stored outside of official files is subject to the Federal Records Act and FOIA.[4] It is not adequate to rely on policies and procedures that require officials to move such information to official systems within a certain period of time; American Oversight has a right to records contained in those files even if material has not yet been moved to official systems or if officials have, through negligence or willfulness, failed to meet their obligations.[5]

In addition, please note that in conducting a "reasonable search" as required by law, you must employ the most up-to-date technologies and tools available, in addition to searches by individual custodians likely to have responsive information. Recent technology may have rendered your agency's prior FOIA practices unreasonable. In light of the government-wide requirements to manage information electronically by the end of 2016, it is no longer reasonable to rely exclusively on custodian-driven searches. [6] Furthermore, agencies that have adopted the National Archives and Records Administration (NARA) Capstone program, or similar policies, now maintain emails in a form that is reasonably likely to be more complete than individual **custodians' files.** For example, a custodian may have deleted a responsive email from his or her email program, but your agency's archiving tools would capture that email under Capstone. Accordingly, American Oversight insists that your agency use the most up-to-date technologies to search for responsive information and take steps to ensure that the most complete repositories of information are searched. American Oversight is available to work with you to craft appropriate search terms. However, custodian searches are still required; agencies may not have direct access to files stored in .PST files, outside of network drives, in paper format, or in personal email accounts.

Under the FOIA Improvement Act of 2016, agencies must adopt a presumption of disclosure, withholding information "only if . . . disclosure would harm an interest protected by an exemption" or "disclosure is prohibited by law." [7] If it is your position that any portion of the requested records is exempt from disclosure, American Oversight requests that you provide an index of those documents as required under *Vaughn v. Rosen*, 484 F.2d 820 (D.C. Cir. 1973), *cert. denied*, 415 U.S. 977 (1974). As you are aware, a *Vaughn* index must describe each document claimed as exempt with sufficient specificity "to permit a reasoned judgment as to whether the material is actually exempt under FOIA." [8] Moreover, the *Vaughn* index "must describe *each* document or portion thereof withheld, and for *each* withholding it must discuss the consequences of disclosing the sought-after information." [9] Further, "the withholding agency must supply 'a relatively detailed justification, specifically identifying the reasons why a particular exemption is relevant and correlating those claims with the particular part of a withheld document to which they apply." [10]

In the event some portions of the requested records are properly exempt from disclosure, please disclose any reasonably segregable non-exempt portions of the requested records. If it is your position that a document contains non-exempt segments, but that those non-exempt segments are so dispersed throughout the document as to make segregation impossible, please state what portion of the document is non-exempt, and how the material is dispersed throughout the document.[11] Claims of nonsegregability must be made with the same degree of detail as required for claims of exemptions in a *Vaughn* index. If a request is denied in whole, please state specifically that it is not reasonable to segregate portions of the record for release.



You should institute a preservation hold on information responsive to this request. American Oversight intends to pursue all legal avenues to enforce its right of access under FOIA, including litigation if necessary. Accordingly, you are on notice that litigation is reasonably foreseeable.

To ensure that this request is properly construed, that searches are conducted in an adequate but efficient manner, and that extraneous costs are not incurred, American Oversight welcomes an opportunity to discuss its request with you before you undertake your search or incur search or duplication costs. By working together at the outset, American Oversight hopes to decrease the likelihood of costly and time-consuming litigation in the future.

Where possible, please provide responsive material in electronic format by email or in PDF or TIF format on a USB drive. Please send any responsive material being sent by mail to American Oversight, 1030 15th Street NW, Suite B255, Washington, DC 20005. If it will accelerate release of responsive records to American Oversight, please also provide responsive material on a rolling basis.

Fee Waiver Request

In accordance with 5 U.S.C. § 552(a)(4)(A)(iii) and your agency's implementing regulations, American Oversight requests a waiver of fees associated with processing this request for records. The subject of this request concerns the operations of the federal government, and the disclosures will likely contribute to public understanding of those operations. Moreover, the request is primarily and fundamentally for non-commercial purposes.

American Oversight requests a waiver of fees because disclosure of the requested information is in the public interest because it is likely to contribute significantly to public understanding of activities of the government. The disclosure of the information sought under this request will document and reveal the operations of the federal government, including how the high-ranking officials who carry out U.S. trade policy are influenced by private companies and their lobbyists, as other public records have shown has occurred in some circumstances.[12] The disclosure of the records requested here will also shed light on the federal government's approach to trade policy in an environment where U.S. firms are facing retaliatory tariffs that may cause American job losses.[13] Due to this administration's aggressive trade policy actions, these topics have received extensive media coverage and public interest.[14] And, as described below, American Oversight has the intention and ability to disseminate the records it received to a broad audience.

This request is primarily and fundamentally not for commercial purposes, but rather the primary interest is in public disclosure of responsive records. As a 501(c)(3) nonprofit, American Oversight does not have a commercial purpose and the release of the information requested is not in American Oversight's financial interest. American Oversight's mission is to promote transparency in government, to educate the public about government activities, and to ensure the accountability of government officials. American Oversight uses the information gathered, and its analysis of it, to educate the public through reports press releases or other media. American Oversight also makes



materials it gathers available on its public website and promotes their availability on social media platforms, such as Facebook and Twitter. American Oversight has demonstrated its commitment to the public disclosure of documents and creation of editorial content. For example, after receiving records regarding an ethics waiver received by a senior DOJ attorney, American Oversight promptly posted the records to its website and published an analysis of what the records reflected about DOJ's process for ethics waivers. As another example, American Oversight has a project called "Audit the Wall," where the organization is gathering and analyzing information and commenting on public releases of information related to the administration's proposed construction of a barrier along the U.S.-Mexico border.

Accordingly, American Oversight qualifies for a fee waiver.

Conclusion

We share a common mission to promote transparency in government. American Oversight looks forward to working with your agency on this request. If you do not understand any part of this request, have any questions, or foresee any problems in fully releasing the requested records, please contact Dan McGrath at foia@americanoversight.org or (202) 897-4213. Also, if American Oversight's request for a fee waiver is not granted in full, please contact us immediately upon making such a determination.

Sincerely,





Executive Director

American Oversight

[1] Keith Bradsher, *China Once Looked Tough on Trade. Now Its Options Are Dwindling*, N.Y. Times, Sept. 18, 2018, https://www.nytimes.com/2018/09/18/business/china-trade-war-retaliate.html?action=click&module=Top%20Stories&pgtype=Homepage

[2] Bob Woodward, Fear: Trump in the White House 159-161 (1st ed. 2018)

[3] Khorri Atkinson, *What They're Saying: Local Industries React to Trump's Trade War*, Axios (July 8 2018), https://www.axios.com/local-industries-react-trump-trade-war-fishing-seed-agriculture-daily-ad04a26d-448f-4bbd-92ec-2ae06ce3a713.html

[4] See Competitive Enter. Inst. v. Office of Sci. & Tech. Policy, 827 F.3d 145, 149–50 (D.C. Cir. 2016); cf. Judicial Watch, Inc. v. Kerry, 844 F.3d 952, 955–56 (D.C. Cir. 2016).

[5] See Competitive Enter. Inst. v. Office of Sci. & Tech. Policy, No. 14-cv-765, slip op. at 8 (D.D.C. Dec. 12, 2016) ("The Government argues that because the agency had a policy requiring [the official] to forward all of his emails from his [personal] account to his business email, the [personal] account only contains duplicate agency records at best. Therefore, the Government claims that any hypothetical deletion of the [personal account] emails would still leave a copy of those records intact in [the official's] work email. However, policies are rarely followed to perfection by anyone. At this stage of the case, the Court cannot assume that each and every work-related email in the [personal] account was duplicated in [the official's] work email account." (citations omitted)).

[6] Presidential Memorandum—Managing Government Records, 76 Fed. Reg. 75,423 (Nov. 28, 2011), https://obamawhitehouse.archives.gov/the-press-office/2011/11/28/presidential-memorandum-managing-government-records; Office of Mgmt. & Budget, Exec. Office of the President, Memorandum for the Heads of Executive Departments & Independent Agencies, "Managing Government Records Directive," M-12-18 (Aug. 24, 2012), https://www.archives.gov/files/records-mgmt/m-12-18.pdf.

- [7] FOIA Improvement Act of 2016 § 2 (Pub. L. No. 114–185).
- [8] Founding Church of Scientology v. Bell, 603 F.2d 945, 949 (D.C. Cir. 1979).
- [9] King v. U.S. Dep't of Justice, 830 F.2d 210, 223–24 (D.C. Cir. 1987) (emphasis in original).
- [10] *Id.* at 224 (citing *Mead Data Central, Inc. v. U.S. Dep't of the Air Force*, 566 F.2d 242, 251 (D.C. Cir. 1977)).
- [11] *Mead Data Central*, 566 F.2d at 261.



- [12] Cara Lombardo, Singlea Out by Irump, Harley Daviason Opposea Higher Tarijjs, The SEATTLE TIMES (Mar. 1, 2017, 4:15 PM), https://www.seattletimes.com/business/harley-davidson-may-differ-with-trump-on-trade-solution/.
- [13] See, e.g., Bob Ryan, Trump's Trade War Is Already Leading to Layoffs and Pain for American Businesses, Business Insider (Aug. 9, 2018, 11:42 AM), https://www.businessinsider.com/trump-tariffs-trade-war-layoffs-business-losses-2018-8; Stuart Anderson, Tariffs Are Costing Jobs: A Look At How Many, Forbes (Sep. 24, 2018, 12:04 AM), https://www.forbes.com/sites/stuartanderson/ https://www.forbes.com/sites/stuartanderson/ <a href="https://www.forbes.com/sites/stuarta
- [14] See, e.g., Kenneth Rapoza, Here Are Some American Losers In Trump's China Trade War, Forbes (July 13, 2018, 8:33 AM), <a href="https://www.forbes.com/sites/kenrapoza/2018/07/13/here-are-some-american-losers-in-trumps-china-trade-war/<#4290d401f528">https://www.newsweek.com/sites/kenrapoza/2018/07/13/here-are-some-american-losers-in-trumps-china-trade-war/<#4290d401f528; Ana Swanson, Trump's Trade War With China Pierces the Heart of Michigan, N.Y. Times, July 12, 2018,

 <a href="https://www.nytimes.com/2018/07/12/us/politics/trade-war-china-michigan.html; Nicole Gookind, Trump Trade War Already Costing American Jobs as Harley-Davidson Announces Move Overseas, Newsweek (June 25, 2018, 12:08 PM), https://www.newsweek.com/tariffs-trump-motorcycles-harley-davidson-europe-china-994366.
- [15] American Oversight currently has approximately 11,900 page likes on Facebook and 45,300 followers on Twitter. American Oversight, Facebook, https://www.facebook.com/weareoversight/ (last visited Oct. 19, 2018); American Oversight (@weareoversight), Twitter, https://twitter.com/weareoversight (last visited Oct. 19, 2018).
- [16] DOJ Civil Division Response Noel Francisco Compliance, American Oversight, >https://www.americanoversight.org/document/doj-civil-division-response-noel-francisco-compliance<.
- [17] Francisco & the Travel Ban: What We Learned from the DOJ Documents, American Oversight, https://www.americanoversight.org/francisco-the-travel-ban-what-we-learned-from-the-doj-documents.
- [18] Audit the Wall, American Oversight, <u>>https://www.americanoversight.org/investigation/audit-the-wall</u><.



RE: Special 301 // DOC

From "Vaughn, Stephen P. EOP/USTR" <stephen.p.vaughn@ustr.eop.gov>

"Pagan, Maria L. EOP/USTR" <maria_pagan@ustr.eop.gov>, "Melle, John M. EOP/USTR"

Cc: <john_melle@ustr.eop.gov>, "Griffin, Payne P. EOP/USTR"

<garrison.p.griffin@ustr.eop.gov>, "Kendall, Elizabeth L. EOP/USTR"

<elizabeth_l_kendall@ustr.eop.gov>

Date: Mon, 10 Apr 2017 12:24:50 -0400

I will try to raise this issue with them.

From: Mehta, Probir J. EOP/USTR

Sent: Monday, April 10, 2017 12:21 PM

To: Vaughn, Stephen P. EOP/USTR < Stephen.P. Vaughn@ustr.eop.gov>

Cc: Pagan, Maria L. EOP/USTR <Maria_Pagan@ustr.eop.gov>; Melle, John M. EOP/USTR

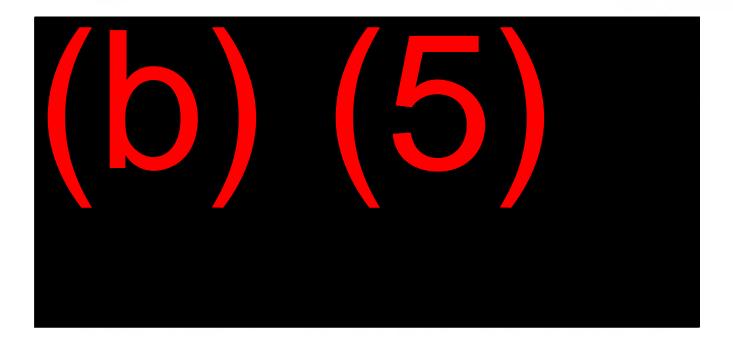
<John_Melle@ustr.eop.gov>; Griffin, Payne P. EOP/USTR <Garrison.P.Griffin@ustr.eop.gov>; Kendall,

Elizabeth L. EOP/USTR <Elizabeth_L_Kendall@ustr.eop.gov>

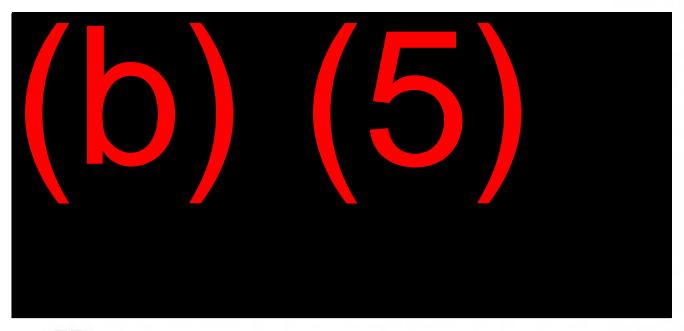
Subject: Special 301 // DOC

Hi Stephen,

I understand that you have a meeting today at 3:30 that will include Sec. Ross and Earl Comstock. As you know, the TPSC for the USTR Special 301 Report (b) (5)







END

I'm away from the office today, but copying the IP and WHA teams that can discuss if need be.



Fwd: MFA demarche on Section 301 investigation

From "Teramoto, Wendy (Federal)" <wteramoto@doc.gov>

To: Wilbur Ross (b) (6) doc.gov>, "Lighthizer, Robert E. EOP/USTR"

(b) (6) ustr.eop.gov>

Date: Sun, 13 Aug 2017 11:21:49 -0400

Sent from my iPhone

Begin forwarded message:

From: Alan Turley < Alan.Turley@trade.gov > Date: August 13, 2017 at 10:49:35 AM EDT

To: Eric Branstad < EBranstad@doc.gov >, "WTeramoto@doc.gov" < WTeramoto@doc.gov >

Cc: "ihernandez@doc.gov" < IHernandez@doc.gov>

Subject: Fwd: MFA demarche on Section 301 investigation

JFYI.

Sent from my iPhone

Begin forwarded message:

From: Brett Gerson < Brett.Gerson@trade.gov>
Date: August 13, 2017 at 10:20:09 AM EDT

To: Alan Turley <<u>Alan.Turley@trade.gov</u>>, Scott Tatlock <<u>Scott.Tatlock@trade.gov</u>>, Tyler Shields

<Tyler.Shields@trade.gov>

Cc: Scott Shaw < Scott Pozil Scott.Pozil@trade.gov>

Subject: Fwd: MFA demarche on Section 301 investigation

FYI

Brett D. Gerson

U.S. Embassy | Beijing, China

Commercial Section

(b) (6)

Sent from my iPhone

Begin forwarded message:

From: "Fritz, Jonathan D (Beijing)" < FritzJD@state.gov>

Date: 13 August 2017 at 8:33:18 PM GMT+8

 $\textbf{To: "Stone, Laura M"} < \underline{\textbf{StoneLM@state.gov}} \\ \text{, "Klein, Christopher C"} < \underline{\textbf{KleinCC@state.gov}} \\ \text{, "Brust, Frederick Model of the content of$

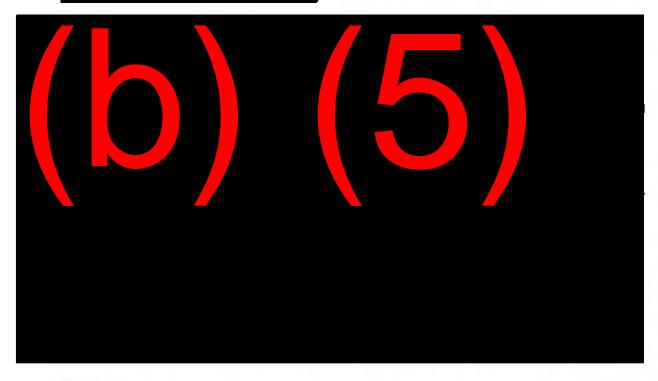


Subject: MFA demarche on Section 301 investigation

Embassy interagency colleagues: Please forward to your respective HQ contacts (I've got State ad NSC covered here).

Director General for North American Affairs Cong Peiwu rang me this evening to express China's





Cheers, Jonathan

Sent from my BlackBerry 10 smartphone.



RE: Trading partners -- China IP

From: "Busis, William L. EOP/USTR" <william_busis@ustr.eop.gov>

"Linton, Kate C. EOP/USTR" <katherine_c_linton@ustr.eop.gov>, "Weiner, David A.

To: EOP/USTR" <david_weiner@ustr.eop.gov>, "Mullaney, Dan D. EOP/USTR"

<daniel_mullaney@ustr.eop.gov>

Cc: "Greer, Jamieson L. EOP/USTR" <jamieson.l.greer@ustr.eop.gov>, "Griffin, Payne

P. EOP/USTR" <garrison.p.griffin@ustr.eop.gov>

Date: Mon, 14 Aug 2017 11:24:19 -0400

 \bigcirc

Attachment

s:

EU outreach points Sec 301 kl (002).bb.docx (28.87 kB)

Attached are a few edits to the points. Please reconfirm with Jamieson before making any calls. I understand that the strategy for outreach to trading partners is (b) (5)

From: Linton, Kate C. EOP/USTR

Sent: Monday, August 14, 2017 9:48 AM

To: Busis, William L. EOP/USTR <William_Busis@ustr.eop.gov> **Cc:** Weiner, David A. EOP/USTR <David_Weiner@ustr.eop.gov>

Subject: FW: Trading partners -- China IP

Hi Bill, here are my suggested edits (b) (5)

Kate

From: Weiner, David A. EOP/USTR

Sent: Thursday, August 10, 2017 9:00 PM

To: Mullaney, Dan D. EOP/USTR <Daniel_Mullaney@ustr.eop.gov>; Linton, Kate C. EOP/USTR <Katherine_C_Linton@ustr.eop.gov>; Busis, William L. EOP/USTR <William_Busis@ustr.eop.gov>; Wedding, Timothy J. EOP/USTR <Timothy_J_Wedding@ustr.eop.gov>; Rizzo, Sam R. EOP/USTR <Samuel_R_Rizzo@ustr.eop.gov>; Grafos, Harrison D. EOP/USTR <Harrison_D_Grafos@ustr.eop.gov>

Subject: FW: Trading partners -- China IP

Hi Bill and Kate,

See below, a note from Jamieson asking us to be prepared for Monday outreach to the Commission and a few EU member states on the section 301 action. (b) (5)

Thanks.

From: Mullaney, Dan D. EOP/USTR

Sent: Thursday, August 10, 2017 7:26 PM



To: Weiner, David A. EOP/USTR < <u>David Weiner@ustr.eop.gov</u>>; Wedding, Timothy J. EOP/USTR < <u>Timothy J Wedding@ustr.eop.gov</u>>; Rizzo, Sam R. EOP/USTR < <u>Samuel R Rizzo@ustr.eop.gov</u>>; Grafos, Harrison D. EOP/USTR < <u>Harrison D Grafos@ustr.eop.gov</u>>

Subject: Fwd: Trading partners -- China IP

Appreciate input. I'm out tomorrow, but would like to send some ideas tonight or in the am. If we want him to call Malmstrom, we'd want to set it up tomorrow am during Brussels day. Dan.

Sent from my iPhone

Begin forwarded message:

From: "Greer, Jamieson L. EOP/USTR" < <u>Jamieson.L.Greer@ustr.eop.gov</u>>

Date: August 10, 2017 at 7:12:22 PM EDT

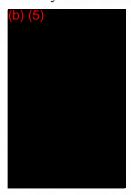
To: "Mullaney, Dan D. EOP/USTR" < <u>Daniel_Mullaney@ustr.eop.gov</u>>, "Beeman, Michael L.

EOP/USTR" < Michael L Beeman@ustr.eop.gov >, "Weisel, Barbara EOP/USTR"

<<u>Barbara Weisel@ustr.eop.gov</u>>, "Melle, John M. EOP/USTR" <<u>John Melle@ustr.eop.gov</u>>

Subject: Trading partners -- China IP

We are ginning up again for this event for Monday PM. Please keep close hold. Please let us know what the best plan will be for ARL or staff to call contacts in the following countries to notify them of an impending presidential announcement on China's IP practices:



JAMIESON L. GREER Chief of Staff Office of the U.S. Trade Representative Executive Office of the President O: 202.395.9648

M: (b) (6)



China's response on 301

From "Vaughn, Stephen P. EOP/USTR" <stephen.p.vaughn@ustr.eop.gov>

To: "Lighthizer, Robert E. EOP/USTR" < (b) (6) @ustr.eop.gov>

"Greer, Jamieson L. EOP/USTR" <jamieson.l.greer@ustr.eop.gov>, "Griffin, Payne P.

EOP/USTR" <garrison.p.griffin@ustr.eop.gov>

Date: Sun, 20 Aug 2017 11:25:14 -0400

FYI.

Cc:

Begin forwarded message:

From: "McCartin, Terry J. EOP/USTR" < Terry McCartin@USTR.EOP.GOV >

Date: August 20, 2017 at 10:58:51 AM EDT

To: "Vaughn, Stephen P. EOP/USTR" < "Busis, William L. EOP/USTR" < William Busis@ustr.eop.gov">"Busis@ustr.eop.gov

Cc: "Main, Ann M. EOP/USTR" < Ann Main@ustr.cop.gov >, "Linton, Kate C. EOP/USTR"

< <u>Katherine C Linton@ustr.eop.gov</u>>, "Winter, Audrey S. EOP/USTR" < <u>Audrey Winter@ustr.eop.gov</u>>, "Kendall, Elizabeth L. EOP/USTR" < <u>Elizabeth L Kendall@ustr.eop.gov</u>>, "Rigoli, Lisa A (Beijing)"

<a href="Rendall, Elizabeth L. EOP/USTR" < Elizabeth L. Kendall@ustr.eop.gov">, "Rigoli, Lisa A (Beijing)" < RigoliLA@state.gov">, "Tsao, Arthur N. EOP/USTR" < Arthur N. Tsao@ustr.eop.gov">, "Millan, Juan A.

EOP/USTR" < Juan Millan@ustr.eop.gov >, "Green, James B (Beijing)" < GreenJB@state.gov >

Subject: RE: Next steps in consultation process

Set forth below is a readout of China's demarche of Matt Pottinger on the section 301 investigation. James had been copied on the readout and forwarded it to us.

From: Pottinger, Matthew F. EOP/NSC (b) (6) Insc.eop.gov>

Sent: Sunday, August 20, 2017 4:13 AM

To: McMaster, H. R. EOP/WHO; Waddell, Ricky L. EOP/WHO; Lighthizer, Robert E. EOP/USTR; Cohn, Gary D. EOP/WHO

Cc: Katz, Jeremy L. EOP/WHO; Eissenstat, Everett H. EOP/WHO; Lin, Merry S. EOP/NSC; Bray, Leah EOP/NSC; Cartin, Joshua M. EOP/NSC; Teramoto, Wendy (Federal); Fritz, Jonathan D (Beijing); Thornton, Susan A; Hook, Brian H; Stone, Laura M; Helvey, David F SES OSD OUSD POLICY (US); Grace, Abby C. EOP/NSC; Navarro, Peter K. EOP/WHO; Gray, Alexander B. EOP/WHO; Willems, Clete R. EOP/NSC; Peterlin, Margaret JA; Rickards, Courtenay M. EOP/NSC; Bajraktari, Yll EOP/NSC Subject: China's 301 Demarche

Colleagues,

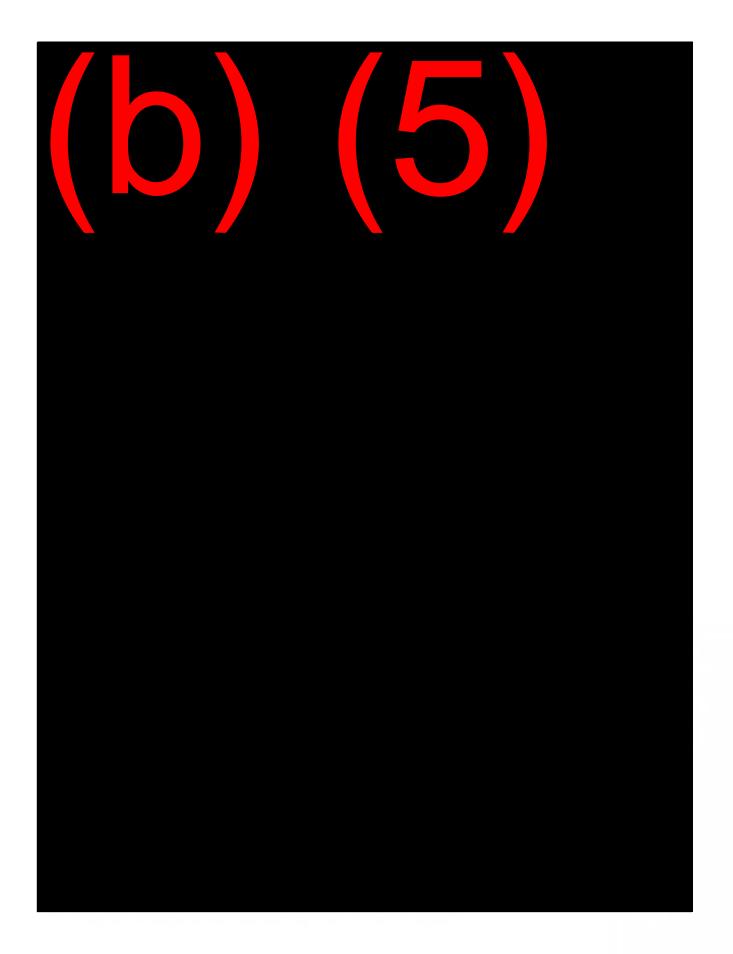
I was demarched by the Chinese embassy today about our 301 action. Enclosed, and pasted below, are the notes from my conversation with China's deputy chief of mission Wu Xi, just FYI. Best,

Matt Pottinger

Wu Xi:











v/r

Matt Pottinger

Senior Director for Asia, NSC

Cell: (b) (6)

----Original Message-----

From: Green, James B (Beijing) [mailto:GreenJB@state.gov]

Sent: Sunday, August 20, 2017 6:27 AM

To: Vaughn, Stephen P. EOP/USTR < Stephen.P. Vaughn@ustr.eop.gov >; Busis, William L. EOP/USTR

<William Busis@ustr.eop.gov>

Cc: Main, Ann M. EOP/USTR < Ann Main@ustr.eop.gov >; Linton, Kate C. EOP/USTR

< Katherine C Linton@ustr.eop.gov >; McCartin, Terry J. EOP/USTR

<Terry McCartin@USTR.EOP.GOV>; Winter, Audrey S. EOP/USTR <Audrey Winter@ustr.eop.gov>;

Kendall, Elizabeth L. EOP/USTR <Elizabeth L Kendall@ustr.eop.gov>; Rigoli, Lisa A (Beijing)

<<u>RigoliLA@state.gov</u>>; Tsao, Arthur N. EOP/USTR <<u>Arthur N Tsao@ustr.eop.gov</u>>; Millan, Juan A.

EOP/USTR < Juan Millan@ustr.eop.gov>

Subject: Re: Next steps in consultation process

Thanks for this. (b) (5)

Original Message

From: Vaughn, Stephen P. EOP/USTR

Sent: Saturday, August 19, 2017 11:09 PM

To: Busis, William L. EOP/USTR

Cc: Main, Ann M. EOP/USTR; Green, James B (Beijing); Linton, Kate C. EOP/USTR; McCartin, Terry J. EOP/USTR; Winter, Audrey S. EOP/USTR; Kendall, Elizabeth L. EOP/USTR; Rigoli, Lisa A (Beijing); Tsao,

Arthur N. EOP/USTR; Millan, Juan A. EOP/USTR

Subject: Re: Next steps in consultation process

This makes sense to me.

> On Aug 19, 2017, at 11:07 AM, Busis, William L. EOP/USTR < William Busis@ustr.eop.gov > wrote:

>

> Good question: we have not set the level (e.g., Deputy, AUSTR, DAUSTR), and thus not the person(s), who would lead our consultation team -- in the event China is amenable to consultations.



>

> At that point, if China agrees to consult, we can set up a working level team.

>

>

>



Fwd: Readout of MOFCOM VM Yu Meeting with NSC's Everett **Eissenstat**

"Vaughn, Stephen P. EOP/USTR" < stephen.p.vaughn@ustr.eop.gov> From:

"Lighthizer, Robert E. EOP/USTR" < (b) (6) @ustr.eop.gov> To:

Date: Fri, 15 Sep 2017 12:54:53 -0400

FYI. (b) (5)

Begin forwarded message:

From: "McCartin, Terry J. EOP/USTR" < Terry McCartin@USTR.EOP.GOV>

Date: September 15, 2017 at 10:52:25 AM EDT

To: "Vaughn, Stephen P. EOP/USTR" < Stephen.P.Vaughn@ustr.eop.gov

Cc: "Turner, Amy C. EOP/USTR" < Amy.C. Turner@ustr.eop.gov >, "Chen, Philip D. EOP/USTR"

< Philip D Chen@ustr.eop.gov>, "Winter, Audrey S. EOP/USTR" < Audrey Winter@ustr.eop.gov>, "Diehl,

Mike EOP/USTR" < Michael Diehl@ustr.eop.gov >, "Busis, William L. EOP/USTR"

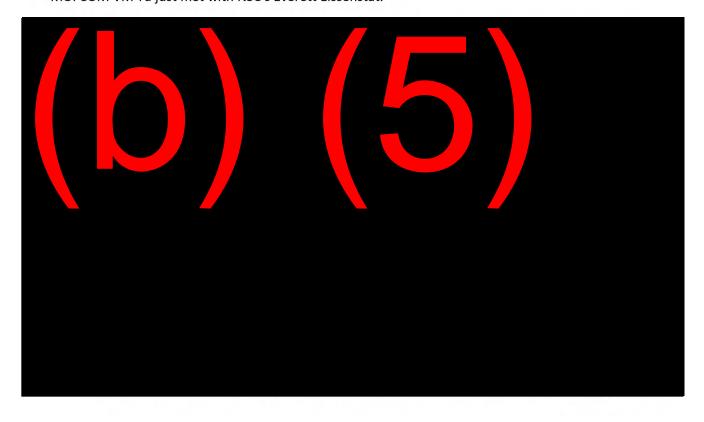
< William Busis@ustr.eop.gov >, "Linton, Kate C. EOP/USTR" < Katherine C Linton@ustr.eop.gov >,

"Dhongthog, Tsering L. EOP/USTR" < Tsering L. Dhongthog@ustr.eop.gov >, "Wineland, Timothy N.

EOP/USTR" < Timothy Wineland@USTR.EOP.GOV>, "Whitlock, Joe P. EOP/USTR" < Joseph P Whitlock@ustr.eop.gov>, "Howe, Julia M. EOP/USTR" < Julia M. Howe@ustr.eop.gov>

Subject: Readout of MOFCOM VM Yu Meeting with NSC's Everett Eissenstat

MOFCOM VM Yu just met with NSC's Everett Eissenstat.







Fwd: [EXTERNAL] RE: Global Steel Forum

From "Griffin, Payne P. EOP/USTR" (b) (6)

:

To:

"Vaughn, Stephen P. EOP/USTR" <stephen.p.vaughn@ustr.eop.gov>, "Greer, Jamieson L.

EOP/USTR" <jamieson.l.greer@ustr.eop.gov>

Date: Thu, 30 Nov 2017 09:52:09 -0500

FYI see from dan.

Sent from my iPhone

(b) (6)

Begin forwarded message:

From: Dan DiMicco (b) (6) outlook.com>
Date: November 30, 2017 at 9:50:38 AM EST

To: "Griffin, Payne P. EOP/USTR" < Garrison.P.Griffin@ustr.eop.gov>

Ce: Dan DiMicco (b) (6) outlook.com>
Subject: [EXTERNAL] RE: Global Steel Forum

Payne, Thank you.

We need a way to stop the dumping cycle and country switching we have been burdened with for 50 years, especially the last 25, and even more so since China built its massive overcapacity. The 232 is the only way to do that. It is warranted for the long term health of many industries critical to our national defense. We are at War with China and it is time to do what is necessary to win.

Dan

From: Griffin, Payne P. EOP/USTR [mailto:Garrison.P.Griffin@ustr.eop.gov]

Sent: Thursday, November 30, 2017 9:32 AM

To: DiMicco Daniel

Subject: Global Steel Forum

Hey dan,

Wanted to show you these reports from the OECD Steel forum. our COS, Jamieson, was there this morning and participated in the press conference.

Thanks!





Jenny Leonard @jendeben · 28m

Greer: Steel report has "many helpful policy prescriptions" but deficiencies in highlighting "recurring failure of some countries to implement true market-based reforms in the steel sector" and suggests "erroneously" that setting capacity reduction targets is effective response.

Jenny Leonard @jendeben

Lighthizer's cos Greer says Global Forum "has not made meaningful progress yet on the root causes of steel excess capacity. And pointing to short-term developments and worn out promises are not by themselves going to cure the fundamental causes of the problem."

-	J
	L

enny Leonard @jendeben · 32m

17

ighthizer's cos Greer says Global Forum "has not made meaningful progress yet on the root causes of steel excess capacity. And pointing to short-term developments and worn out promises are not by themselves going to cure the fundamental causes of the problem."











Jenny Leonard @jendeben · 1h

Greer: "We will take whatever lawful actions are available, as needed. I'm not previewing anything at all, we're just reserving the same right that exists for everybody here to take lawful action." @MalmstromEU: EU is counting on those actions being compliant with @wto rules.

Jenny Leonard @jendeben

.@USTradeRep chief of staff Greer at Global Steel Forum says "meaningful progress" can only be achieved if trade-distorting subsidies are removed; emphasizes talking is good (and U.S. will continue to do so in the forum) but it's actions that matter.



17. 1







Jenny Leonard @jendeben · 1h

.@USTradeRep chief of staff Greer at Global Steel Forum says "meaningful progress" can only be achieved if trade-distorting subsidies are removed; emphasizes talking is good (and U.S. will continue to do so in the forum) but it's actions that matter.



G. Payne Griffin

Deputy Chief of Staff
The Office of the United States Trade Representative
Executive Office of the President
Garrison.P.Griffin@USTR.eop.gov

(O) 202-395-5869 | (C) (b) (6)



Re: [EXTERNAL] China

From: jamieson.l.greer@ustr.eop.gov To: Wendy Cutler (b) (6) @asiasociety.org> Date: Thu, 08 Feb 2018 18:05:10 -0500 Thank for this. Good to know. Sent from my iPhone > On Feb 8, 2018, at 4:40 PM, Wendy Cutler (b) (6) asiasociety.org> wrote: > Hour long meeting. He used the points on cooperation and win/win. I tried to impress on him that actions to be taken soon against china and urged him that Chinese response be measured. He made it clear that China will respond right away, with response depending on what actions US takes. If WTO violation (tariffs) expect strong response. He said investment restrictions will shoot US in the foot. I flagged sorghum cases in line with below. And explained that Administration, Congress and industry all on same page on China. > When I worked with him he was responsible for APEC, G20 and FTAs, he still is and now was given the US portfolio too. Wang Showen is his name. He's accompanying Wang yeichi for his visit here. > > >> On 2/8/18, 11:17 AM, "Greer, Jamieson L. EOP/USTR" < Jamieson.L. Greer@ustr.eop.gov> wrote: >> Thanks for the heads up. I'm traveling now and not able to do a call. I would warn them off of retaliation in the guise of non-transparent and baseless trade actions. No chance that this message will have traction with them, but we should reiterate that we know their sorghum case and likely soybean case will have no firm legal basis. To the extent that they talk about wanting to avoid a so-called trade war, these actions would not be helpful. May be helpful to note that the 201 actions were global in scope and brought by private US companies in the first instance. >> Sent from my iPhone >>> On Feb 8, 2018, at 9:27 AM, Wendy Cutler (b) (6) @asiasociety.org> wrote: >>> Hi Jamieson, >>> I've been just asked to see China's Mofcom Deputy Minister at 3pm today. He was my counterpart when I was the Asia deputy at Ustr. Would like to be helpful so if there is a useful message I can deliver or something I need to be aware of please let me know. Available for phonecall if easier. Thanks. Wendy >>> >>> Sent from my iPhone



FW: Upcoming Event in California: Casualties of Trade War?

From "Melle, John M. EOP/USTR" <john_melle@ustr.eop.gov>

To: "Greer, Jamieson L. EOP/USTR" <jamieson.l.greer@ustr.eop.gov>, "Vaughn, Stephen P.

EOP/USTR" <stephen.p.vaughn@ustr.eop.gov>

Cc: "Bomer Lauritsen, Sharon E. EOP/USTR" <sharon_e_bomerlauritsen@ustr.eop.gov>

Date: Thu, 15 Feb 2018 10:03:54 -0500

Thanks to Sharon for passing this along (b) (5)

John

----Original Message----

From: Bomer Lauritsen, Sharon E. EOP/USTR Sent: Thursday, February 15, 2018 9:06 AM

To: Melle, John M. EOP/USTR < John_Melle@ustr.eop.gov>; Watson, Daniel L. EOP/USTR

<Daniel_Watson@USTR.EOP.GOV>; Boron, Andrea W. EOP/USTR <Andrea.W.Boron@ustr.eop.gov>

Subject: FW: Upcoming Event in California: Casualties of Trade War?

----Original Message----

From: Higgins, Holly S [mailto:Holly.Higgins@fas.usda.gov]

Sent: Thursday, February 15, 2018 8:33 AM

Subject: Fw: Upcoming Event in California: Casualties of Trade War?

(b) (5) attending?

Is anyone from USDA or USTR

From: Lupescu, Mihai < Mihai. Lupescu@fas.usda.gov>

Sent: Thursday, February 15, 2018 7:02 AM To: Mangino, Evan N; Higgins, Holly S

Cc: Watters, Mary A; Wernerson, Hanna C; Arbulu, Maria A (Toronto); Lupescu, Mihai

Subject: Upcoming Event in California: Casualties of Trade War?

FYI.

You may have heard about this event on February 22 in Sacramento (below and attached), but just to make sure you're aware of this.

CASUALTIES of TRADE WAR?

What Changes in NAFTA mean for Agriculture in California

U.S. agricultural exports in North America last year exceeded \$38 billion, and Canada is California's number one ag export destination, receiving \$4.1 billion in California exports annually. More than 1 million jobs in California depend on trade with Canada.



Regressive trade rhetoric in D.C. threatens agriculture in California. Could changes in NAFTA mean California wineries lose access to Canadian markets? Would tariffs be added to California ag products exported to Canada and Mexico? Is the United States on the brink of a trade war with its closest ally?

SPEAKERS:

Karen Ross Secretary of California Department of Food and Agriculture

Lawrence MacAulay Canadian Minister of Agriculture and Agri-Food

PANELISTS:

Jamie Johansson President, California Farm Bureau Federation

Jane Proctor Vice President, Policy and Issue Management, Canadian Produce Marketing Association

MODERATOR:

Rana Sarkar Consul General of Canada, San Francisco Official UNCLASSIFIED

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Fwd: [EXTERNAL] Re: in confidence / good faith for visibility... items I'm reporting for tomorrow's Sneak Peek

From: "Vaughn, Stephen P. EOP/USTR" < stephen.p.vaughn@ustr.eop.gov>

To: "Lighthizer, Robert E. EOP/USTR" < (b) (6) @ustr.eop.gov>

Date: Sat, 24 Feb 2018 13:31:47 -0500

See below. He's getting a lot of details from somewhere.

Begin forwarded message:

From: "Davis, Emily K. EOP/USTR" < Emily.K.Davis@ustr.eop.gov>

Date: February 24, 2018 at 1:22:18 PM EST

"Emerson, Jeffrey W. EOP/USTR" < <u>Jeffrey.W.Emerson@ustr.eop.gov</u>> Cc: "Breinig, Amelia J. EOP/USTR" < <u>Amelia J. Breinig@ustr.eop.gov</u>>

Subject: FW: [EXTERNAL] Re: in confidence / good faith for visibility... items I'm reporting for

tomorrow's Sneak Peek

More:

From: Jonathan Swan [mailto:jonathan@axios.com]

Sent: Saturday, February 24, 2018 1:18 PM

To: Conway, Kellyanne E. EOP/WHO (b) (6) @who.eop.gov>; Davis, Emily K. EOP/USTR < Emily.K.Davis@ustr.eop.gov>; Hicks, Hope C. EOP/WHO (b) (6) @who.eop.gov>; Marquis, Ashley H. EOP/WHO (b) (6) @who.eop.gov>; Raffel, Joshua H. EOP/WHO (b) (6) @who.eop.gov>; Sanders, Sarah H. EOP/WHO (b) (6) @who.eop.gov>; Shah, Raj S. EOP/WHO (b) (6) @who.eop.gov>; Tony Sayegh < tony.sayegh@treasury.gov>; Hudson, Renee R. EOP/WHO (b) (6) @who.eop.gov>; Grisham, Stephanie A. EOP/WHO (b) (6) @who.eop.gov>

Subject: [EXTERNAL] Re: in confidence / good faith for visibility... items I'm reporting for tomorrow's Sneak Peek

A few other points on trade — and looping in Tony for the point that relates to Treasury:

- 1. I'm told that Mattis, Cohn, Tillerson, and Hassett all think Wilbur Ross did a terrible job on Commerce's 202 investovation and they disagree with the report's findings. One official told me the report doesn't properly of the negative impact of these tariffs on downstream jobs, eg auto suppliers and other U.S. businesses that import steel to make their products.
- 2. I'm told the 301 tariffs should be imminent but they are currently held up in Treasury. One official described it as a "bottleneck."

On Sat, 24 Feb 2018 at 11:46 am, Jonathan Swan <<u>jonathan@axios.com</u>> wrote:



- 1. Trump has been telling friends for months that he likes Singapore's drug policies. He says there's a good reason Singapore doesn't have a drug problem like the U.S. does: they kill drug dealers. Trump would love to do the same here in America and he's even jokingly spoken admiringly of the Duterte and Chinese models, which have even less due process though he's privately admitted it'd probably be impossible to do anything so harsh under the American system. However, given the way Trump thinks about drug dealers our sources tell us there's no way in hell he'll approve any law that gives softer jail sentences for non-violent drug offenders (a key facet of criminal justice reform.) AND he might adopt other aspects of the Singaporean model eg drug education in schools something both the First Lady and Kellyanne Conway strongly support. // (COPYING STEPHANIE GRISHAM, KELLYANNE AND HER CHIEF BECAUSE TOUCHES ON THEIR ISSUES.)
- 2. Trump has told administration officials and other associates he thinks his longtime personal pilot, John Dunkin, would be a great choice to head the Federal Aviation Administration. One industry insider equated this to the time on Seinfeld when Cosmo Kramer used his golf caddy as a jury consultant. A senior administration official told me that comparison was completely unfair. The source confirmed that Dunkin was on the short list and that Trump recommended him, but the source said that after officials interviewed Dunkin he impressed them with his knowledge of aviation. "He's on the list because he's the president's pilot but if he gets the job it won't be because he's the president's pilot," the source said. My sources tell me Dunkin is one of a handful of candidates for the position. The shortlist includes Republican congressman from Missouri, Sam Graves, and the current acting FAA administrator Daniel Elwell, who is well-liked within the aviation industry. It's no surprise that Trump favors a pilot to run the FAA. Dunkin has told people that when he used to fly Trump around on his private Boeing 757, they'd often find themselves stuck on the tarmac with delays. He'd tell Trump that none of this would happen if a pilot ran the FAA. (N.B.: I DON'T HAVE A CONTACT FOR JOHN DUNKIN, SO WOULD BE GRATEFUL IF YOU COULD GIVE HIM VISIBILITY OF THIS ITEM.)
- 3. A trade item. I'm told Jennifer Jacob's <u>scoop</u> yesterday is accurate but for one small detail. Trump has told confidants **he'd actually like a 25 percent** global tariff on steel because it's a round number and sounds better. Also an official with knowledge of the trade discussions told me the working group is preparing to impose a "shit ton" of tariffs on Chinese products to punish them for stealing American intellectual property. I asked this official and another source with knowledge of the sensitive discussions what "shit ton" meant and both said *potentially hundreds of Chinese products*. It's using section 301 of the trade laws. But both sources cautioned that while Trump wants these tariffs done yesterday, the team still hasn't reached agreement on the products and even when they do the lawyers will need to spend a lot of time going through the list and making sure its legally doable. Am told the trade team has done a ton of analysis and graphed out every product China sells to the U.S. Picture a L-shaped graph: on the right-hand axis you have all the products China sells to the U.S. that we also buy from lots of other countries. E.g. uranium, LED bulbs, and textiles. In the minds of the free-traders, those would be the better products to tariff because America has other countries to buy them from and the added cost to the consumer would be



minimal. The bottom axis of the graph covers the products which the U.S. relies on China to produce. A good example: China makes more of the pharmaceuticals you take than you realize. If America put huge tariffs on Chinese pharmaceutical products it'd harm Americans who need antibiotics like penicillin, and other medicines. Bottom line: The free-traders in the Trump administration — eg Gary Cohn, Steven Mnuchin, Kevin Hassett, Everett Eissenstat, worry about starting a trade war that could wreck the economy, and they're nervous about imposing any tariffs that would increase the cost of products for American consumers. The hardliners — Lighthizer and Navarro in particular — want to put maximum pressure on China and believe the Chinese will only stop cheating at trade when we make them feel real pain. (COPIED EMILY, NATALIE, AND ASHLEY FOR THIS ITEM).



Jonathan Swan
NATIONAL POLITICAL REPORTER
jonathan@axios.com | 202.390.7353

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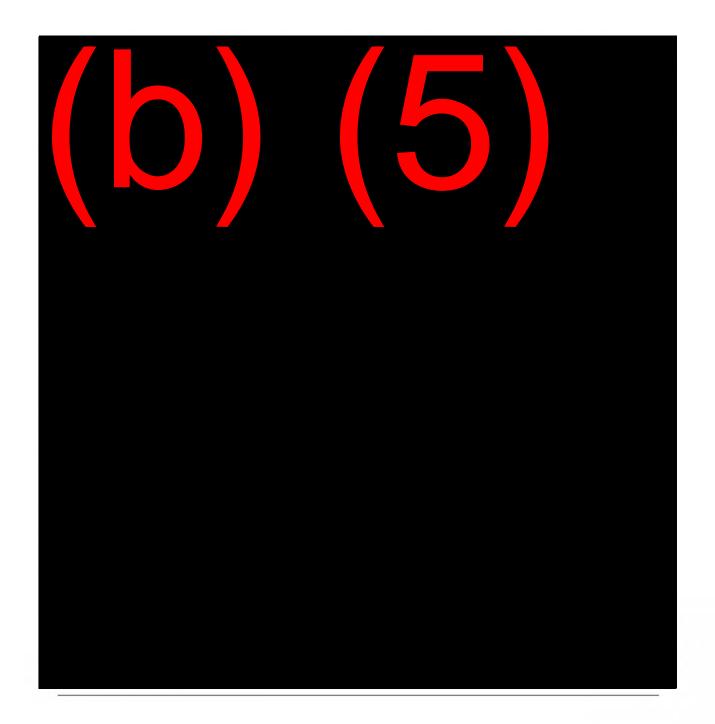
Jonathan Swan NATIONAL POLITICAL REPORTER jonathan@axios.com | 202.390.7353



Fwd: March 2 Amb Call with METI Minister Hiroshige Seko

From: jamieson.l.greer@ustr.eop.gov To: "Lighthizer, Robert E. EOP/USTR" < (b) (6) ustr.eop.gov> Cc: "Vaughn, Stephen P. EOP/USTR" <stephen.p.vaughn@ustr.eop.gov> Date: Fri, 02 Mar 2018 09:22:26 -0500 See below a readout of a call from Seko to Amb Hagerty (b) (5) Sent from my iPhone Begin forwarded message: From: "Beeman, Michael L. EOP/USTR" < Michael L Beeman@ustr.eop.gov> Date: March 2, 2018 at 7:20:57 AM CST To: "Vaughn, Stephen P. EOP/USTR" < Stephen.P. Vaughn@ustr.eop.gov>, "Greer, Jamieson L. EOP/USTR" <Jamieson.L.Greer@ustr.eop.gov> Cc: "Mullaney, Dan D. EOP/USTR" < Daniel Mullaney@ustr.eop.gov>, "Sanford, Jim C. EOP/USTR" <<u>James Sanford@ustr.eop.gov</u>>, "Morrow, Cara M. EOP/USTR" <<u>Cara Morrow@ustr.eop.gov</u>>, "Millan, Juan A. EOP/USTR" < Juan Millan@ustr.eop.gov> Subject: Fwd: March 2 Amb Call with METI Minister Hiroshige Seko Minister Seko reached out to Ambassador Hagerty a few hours ago to (b) (5) Embassy Tokyo just forwarded the readout below, and passing along for your information. I understand Amb Hagerty will be sending a message to ARL directly to summarize the call. Michael Call with METI Minister Hiroshige Seko March 2, 2018, 6pm







Re: A message from Japan's METI Minister regarding attendance at March 10 meeting in Brussels

From: "Hagerty, William F" <hagertywf@state.gov>

To: "Lighthizer, Robert E. EOP/USTR" < (b) (6) ustr.eop.gov>

Date: Sun, 04 Mar 2018 22:40:41 -0500

Thanks so much, Bob

I will convey. Know that Seko will appreciate.

Regards,

Bill

From: Lighthizer, Robert E. EOP/USTR (b) (6) str.eop.gov>

Date: March 5, 2018 11:28:12 JST

To: Hagerty, William F < Hagerty WF@state.gov>

Subject: Re: A message from Japan's METI Minister regarding attendance at March 10 meeting in Brussels

Thanks Bill. I'm going to Brussels (b) (5)

Bob

On Mar 4, 2018, at 4:38 PM, Hagerty, William F < Hagerty WF@state.gov < mailto: Hagerty WF@state.gov >> wrote:

Dear Ambassador Lighthizer,

METI Minister Hiroshige Seko called me in the wake of the Section 232 tariff media, b

he also asked that I

convey to you a separate message regarding the March 10 US-EU-Japan trade ministers' trilateral in Brussels.



Regards,

Bill Official - SBU UNCLASSIFIED



Memo for ARL on China NEV + Strategy

"Reif, Timothy M. EOP/USTR" (b) (6)

From:

Cc:

To: "Cobaugh, CC M. EOP/USTR" <christina.m.cobaugh@ustr.eop.gov>

"Greer, Jamieson L. EOP/USTR" <jamieson.l.greer@ustr.eop.gov>, "Griffin, Payne

P. EOP/USTR" <garrison.p.griffin@ustr.eop.gov>, "Vaughn, Stephen P. EOP/USTR"

<stephen.p.vaughn@ustr.eop.gov>, "Laporte-Oshiro, Catherine EOP/USTR"

<catherine.laporte-oshiro@ustr.eop.gov>, "Gansa, William H. EOP/USTR"
<william.h.gansa@ustr.eop.gov>, "Bacak, Abigail R. EOP/USTR"

<abigail.r.bacak@ustr.eop.gov>

Date: Thu, 08 Mar 2018 18:00:24 -0500

Attachment

MM.china.180308.docx (45.66 kB) S:

Hi, CC. For w-e reading / trip binder. 3 pp memo with attachments. Thank you. T.



FW: latest German reaction on 232/Steel & China nexus

From "Winter, Audrey S. EOP/USTR" <audrey_winter@ustr.eop.gov>

"Greer, Jamieson L. EOP/USTR" <jamieson.l.greer@ustr.eop.gov>, "Vaughn, Stephen P.

EOP/USTR" <stephen.p.vaughn@ustr.eop.gov>, "McCartin, Terry J. EOP/USTR"

To: <terry_mccartin@ustr.eop.gov>, "Sanford, Jim C. EOP/USTR"
<james_sanford@ustr.eop.gov>, "Motwane, Jai Y. EOP/USTR"

<jai_motwane@ustr.eop.gov>, "Millan, Juan A. EOP/USTR" <juan_millan@ustr.eop.gov>,

"Kalutkiewicz, Katherine R (USEU)" <kalutkiewiczkr@state.gov>

"Mullaney, Dan D. EOP/USTR" <daniel_mullaney@ustr.eop.gov>, "Weiner, David A.

EOP/USTR" <david_weiner@ustr.eop.gov>

Date: Fri, 09 Mar 2018 18:06:14 -0500

Passing this readout along.

From: Froats, Daniel T [mailto:FroatsDT@state.gov]

Sent: Friday, March 9, 2018 12:50 PM

To: Merry.Lin(b) (6) Mullaney, Dan D. EOP/USTR < Daniel_Mullaney@ustr.eop.gov>; Weiner,

David A. EOP/USTR < David_Weiner@ustr.eop.gov>; Winter, Audrey S. EOP/USTR

<Audrey_Winter@ustr.eop.gov>

Cc: Turpin, Matthew J. EOP/NSC(b) (6) >; Stone, Laura M

<StoneLM@state.gov>; Logsdon, Kent D <LogsdonKD@state.gov>; Hovenier, Jeffrey M

<HovenierJM@state.gov>; Price, Woodward C <PriceWC@state.gov>; Nelson, Jake

<NelsonJR@state.gov>; Sidereas, Evyenia (Berlin) <SidereasEM@state.gov>; Peterson, Calvin "Pete"

<PetersonCD@state.gov>

Subject: latest German reaction on 232/Steel & China nexus

NSC/USTR colleagues – State A/DAS Laura Stone and Matt Turpin asked that Embassy Berlin share with you the latest German reaction on 232, which Laura & Matt heard this afternoon as part of U.S.-German consultations on China. We'll back brief this with State.





(b) (5)

Dan Froats
Economic Counselor, U.S. Embassy Berlin
Landline (6) (6)

Landline (b) (6) Mobile (b) (6)

Official - SBU UNCLASSIFIED



Re: EU Discussions on Steel Tariff

From: "Lighthizer, Robert E. EOP/USTR" < (b) (6) ustr.eop.gov>

To: Wilbur Ross (b) (6) doc.gov>

Date: Sat, 10 Mar 2018 10:40:56 -0500

Thanks. I'll call when I'm back tomorrow. (b) (5)

Bob

On Mar 10, 2018, at 4:27 PM, Wilbur Ross (b) (6) doc.gov wrote:

FYI wilbur

Sent from my iPhone

Begin forwarded message:

From: "Comstock, Earl (Federal)" < EComstock@doc.gov>

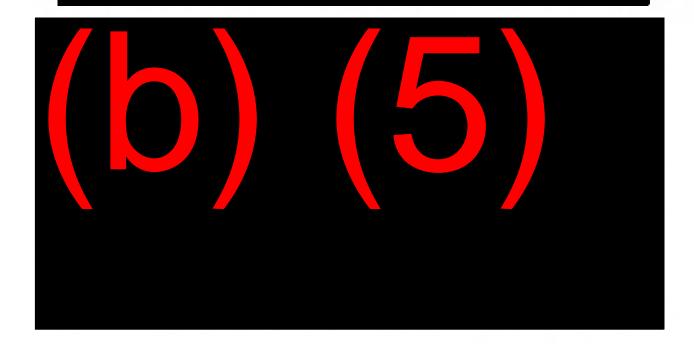
Date: March 10, 2018 at 9:17:06 AM EST

To: Wilbur Ross (b) (6) doc.gov>

Cc: "Teramoto, Wendy (Federal)" < WTeramoto@doc.gov>

Subject: EU Discussions on Steel Tariff

Mr. Secretary – FYI. According to a Washington Post article this morning (pasted below), Commissioner Malmstrom intends to press Ambassador Lighthizer for an exemption from the 232 tariffs at a meeting in Brussels today. (b) (5)





(b) (5)

Earl

Top E.U. trade official says she will seek exemption to Trump tariffs

The Washington Post

By Michael Birnbaum March 9 at 12:02 PM

BRUSSELS — The European Union's top trade official said Friday that the 28-nation bloc will seek to be excluded from President Trump's steel and aluminum tariffs, a day after he signed off on them with the caveat that countries with a "security relationship" could seek an exemption.

E.U. Trade Commissioner Cecilia Malmstrom said that Europe shared American concerns about China's support for its steel industry, but she said that the tariffs of 25 percent on steel and 10 percent on aluminum were the wrong way to address the issue.



"We share the concern of overcapacity in the steel sector," Malmstrom told a conference in Brussels. "This is not the right way to deal with it."

She said that E.U. officials were still trying to understand Trump's announcement Thursday, in which he slammed countries around the world for unfair trade practices but left open the door to trade partners to seek exemptions. Canada, which is the top source for U.S. steel imports, and Mexico are both excluded from the tariffs.

>https://www.washingtonpost.com/world/europe/top-eu-trade-officia...c-234f-11e8-946c-9420060cb7bd_story.html?utm_term=.331e6eeae1d9< Page 1 of 4

Top E.U. trade official says she will seek exemption to Trump tariffs - The Washington Post 3/10/18, 8:56 AM

Trump said these exemptions were to facilitate negotiations for a revised North American Free Trade Agreement (NAFTA).

Trump has cited national security concerns as the legal basis for the tariffs. European policymakers have dismissed that as nonsensical, because most U.S. steel imports come from its military allies.

"We are friends, we are allies, we work together. We cannot possibly be a threat to national security in the U.S.," Malmstrom said.

"We count on being excluded," she said, adding that the policy announced by Trump was "not crystal clear."

Malmstrom will meet Saturday in Brussels with U.S. Trade Representative Robert E. Lighthizer and Japanese Trade Minister Hiroshige Seko for a meeting that was originally scheduled to discuss cooperation about Chinese trade issues but has now transformed into something more adversarial.

In the meeting, E.U. officials said they will ask how to apply for an exemption.

"This is not a trade negotiation, now we are talking about unilateral actions against international rules. And we want to sort it out before it becomes a problem," said Jyrki Katainen, a top E.U.



economic official. "We want to get as much as clarity as possible tomorrow. Most probably discussions will continue."

But Europeans are preparing actions if they are ultimately hit with tariffs.

E.U. policymakers have readied about \$3.5 billion in countermeasures that will strike against symbolically important products from the United States — such as bourbon, motorcycles and blue jeans — that are manufactured in the home districts of congressional leaders. They also plan to file a complaint with the World Trade Organization.

The back-and-forth risks a broader trade war of escalating tariffs, but many

>https://www.washingtonpost.com/world/europe/top-eu-trade-officia...c-234f-11e8-946c-9420060cb7bd_story.html?utm_term=.331e6eeae1d9< Page 2 of 4

Top E.U. trade official says she will seek exemption to Trump tariffs - The Washington Post 3/10/18, 8:56 AM

European leaders think that if they do not respond, they will soon be hit again by the White House.

German Chancellor Angela Merkel, leader of Europe's largest economy, offered her support for the E.U. measures being readied, although she said she would prefer a broader dialogue about lowering tariffs and reaching a trade agreement with Washington.

She told reporters Friday that she hoped to avoid a damaging trade fight with Washington.

"No one would win such a competition," she said. *Quentin Ariès* contributed to this report.



Fwd: MOFCOM Minister Zhong Shan at NPC Mar 11

From "Winter, Audrey S. EOP/USTR" <audrey_winter@ustr.eop.gov>

"Greer, Jamieson L. EOP/USTR" <jamieson.l.greer@ustr.eop.gov>, "Vaughn, Stephen P. To:

EOP/USTR" <stephen.p.vaughn@ustr.eop.gov>

"McCartin, Terry J. EOP/USTR" <terry mccartin@ustr.eop.gov> Cc:

Sun, 11 Mar 2018 21:02:28 -0400 Date:

Passing this report along from USTR Beijing.

Sent from my iPhone

Begin forwarded message:

From: "Green, James B (Beijing)" < GreenJB@state.gov>

Date: March 11, 2018 at 8:35:43 AM EDT

To: Sara Schuman <Sara C Schuman@ustr.eop.gov>, "McCartin, Terry J. EOP/USTR"

<Terry McCartin@ustr.eop.gov>, Aileen Yang <Aileen D Yang@ustr.eop.gov>, Tsering Dhongthog

<Tsering L Dhongthog@ustr.eop.gov>, "Prescott, Jennifer Y. EOP/USTR" <Jennifer Prescott@ustr.eop.gov>, Audrey Winter < Audrey Winter@ustr.eop.gov>, "Timothy N. Wineland" < Timothy Wineland@ustr.eop.gov>,

Ann Main Ann Main@ustr.eop.gov">Ann Main@ustr.eop.gov, Daniel Bahar

<Daniel Bahar@ustr.eop.gov>

Subject: Fw: MOFCOM Minister Zhong Shan at NPC Mar 11

Note to Tsering and Jennifer: (b) (5)

From: Green, James B (Beijing) < GreenJB@state.gov>

Sent: Sunday, March 11, 2018 8:32 PM

To: Beijing Econ Americans (Econ Section Only); Block, Bill; 'Irwin, Justin'; (U) Wong, Christopher (Beijing | TRADE); (U) Griffin, Cynthia (Beijing | FCS); Scott A (U) Shaw; Scott Pozil; Beijing POL Unit Chiefs; Switzer, Bryan R (Rick) (Beijing); Zanin, Bruce (Beijing); Ward, Michael J (Beijing); Niblock, Thomas (Beijing);

Baldwin, Paul (Beijing); Fritz, Jonathan D (Beijing)

Subject: MOFCOM Minister Zhong Shan at NPC Mar 11

on March 11, Minister of Commerce Zhong Shan offered an upbeat assessment of China's foreign trade and investment relationships and growth of a domestic consumer economy.

Asked directly by a Bloomberg reporter if MOFCOM was preparing retaliatory measures against U.S. soybeans, cotton, aircraft or technology products to addressing coming trade turbulence, Minister Zhong (b) (5) emphasizing that China and the United States have an ongoing discussion on trade issues, including Liu

He's recent trip to Washington, DC. Reading from prepared remarks, the Minister quoted from Xi Jinping saying commercial ties are the ballast in the China-U.S. relationship and offered the assessment that no one wanted a

trade war. In explaining the Sino-American bilateral trade imbalances, (b) (5)

In answering another question



about foreign direct investment Minister Zhong acknowledged that some in the foreign business community have expressed concern about the investment climate; he offered already-disclosed financial services liberalization and the future reduction of tariffs on autos and consumer products.

As expected, Zhong Shan noted MOFCOM's role in fostering to President Xi Jinping's signature foreign economic policy Belt and Road Initiative and the November "Import Fair" in Shanghai. On questions of the rise in domestic consumption, a drop in outbound FDI, and poverty reduction, Zhong offered a few statistics and a sunny outlook. Responding to a specific question, Vice Minister Wang Shouwen extolled the successes of China's Free Trade Agreements and support for the WTO, (b) (5)

The other speaker at the podium, Vice Minister Qian Keming, spoke at length without notes about the upcoming China-Africa summit and the benefits of MOFCOM's foreign assistance projects on the continent.

Welcome Cynthia or Scott Pozil to add anything in this summary (b) (5)



Shea/Wang bilateral - Delhi

From . "Wilson, Christopher S. EOP/USTR" <christopher_s_wilson@ustr.eop.gov>

To: "Green, James B (Beijing)" <greenjb@state.gov>, "McCartin, Terry J. EOP/USTR"

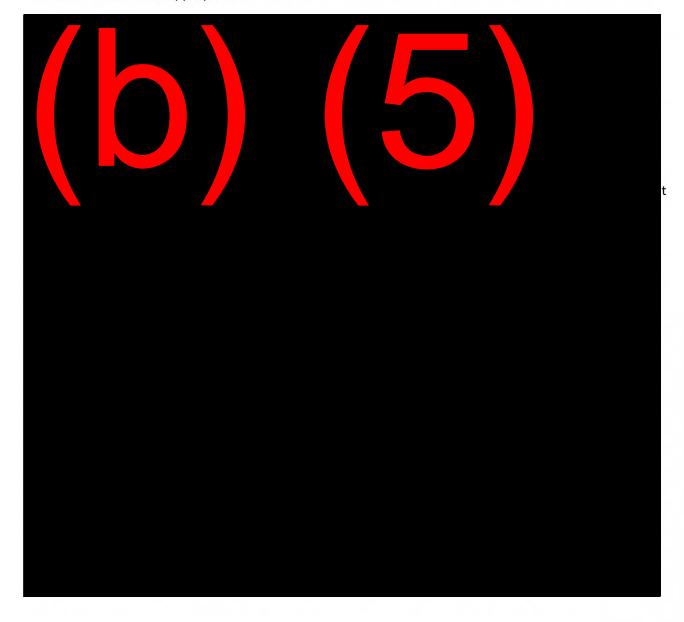
<terry_mccartin@ustr.eop.gov>, "Millan, Juan A. EOP/USTR" <juan_millan@ustr.eop.gov>

"Morrow, Cara M. EOP/USTR" <cara_morrow@ustr.eop.gov>, "Shea, Dennis C.

EOP/USTR" <dennis.c.shea@ustr.eop.gov>

Date: Wed, 21 Mar 2018 12:00:11 -0400

Here are a few notes on Ambassador Shea's bilateral with VM Wang in Delhi, held on Monday. Please forward to others as appropriate.





(b) (5)	



[EXTERNAL] USTR 301 IP Report

From: John Mallery (b) (6) mac.com>

To: "Reif, Timothy M. EOP/USTR" <timothy_reif@ustr.eop.gov>

Cc: "Cekuta, Margaret M. EOP/USTR" <margaret_m_cekuta@ustr.eop.gov>

Date: Fri, 23 Mar 2018 12:16:34 -0400

Attachments: smime.p7m (12.51 kB)

Tim, Margaret:

The report is very good. Read it yesterday.

Here are a couple thoughts:

- * Ramp up a strategic communications effort to get the message out to allies, 3rd parties, and the Chinese public (who receive only a message that china is a victim and the 301 tariffs are unprovoked aggression to keep china down).
- * Talk about what friends the US and Chinese people are and how this is an opportunity to forge a new great power relationship
 - * Devise an escalation ladder and telegraph it to the Chinese
 - * Provide a politically viable off ramp for Xi with clear milestones and verification
- * Construe the situation in a way that does not cause china and the CCP to lose face, i.e. they are not thieves.
 - Perhaps something like they have not managed to implement market-compatible policies yet...
 - Tie this to opening up and reform
- * Use exemptions from other tariffs or penalties to coerce allied cooperation on the IP issue and formation of a united front against predatory economic behavior
 - Consider cross-domain incentives for what the US invests to defend the allies in europe or in

Asia.

- Forge legal agreements to pursue IP infringers across the OECD
- Empower victim companies to pursue civil actions to recover damages from IP theft
- * Analyze the gap win protections from WTO and the 301 approach, and propose updating WTO IP protections
- * Initiate an IP protection effort under the WTO digital agenda that addresses the emerging importance of IP protection
 - * consider action in WTO against China as a non-market economy
 - * consider below the table actions against infringers across all their operations

You are looking for a synergistic impact on the chinese decision-makers that leads them to take the off-ramp.

Good luck!

Regards, John

John C. Mallery

Mobile: (b) (6)



Fwd: POTUS Statement on Sec. 301 Retaliation

From: "Vaughn, Stephen P. EOP/USTR" <stephen.p.vaughn@ustr.eop.gov>

To: "Lighthizer, Robert E. EOP/USTR" < (b) (6) ustr.eop.gov>

Date: Thu, 05 Apr 2018 08:56:59 -0400

Begin forwarded message:

From: "Davis, May M. EOP/WHO" (b) (6) who.eop.gov>

Date: April 5, 2018 at 8:55:15 AM EDT

To: "Vaughn, Stephen P. EOP/USTR" < Stephen.P.Vaughn@ustr.eop.gov, "Willems, Clete R. EOP/NSC" (b) (6) nsc.eop.gov, "Lin, Merry S. EOP/NSC" (b) (6) nsc.eop.gov, "Morrell, David M.

EOP/WHO" <(b) (6) who.eop.gov>, "Grieco, Christopher K. EOP/WHO"

(b) (6) who.eop.gov>

Subject: FW: POTUS Statement on Sec. 301 Retaliation

FYi.

From: Green, Heidi - OSEC, Washington, DC < Heidi.Green@osec.usda.gov >

Sent: Thursday, April 5, 2018 8:25 AM

To: Davis, May M. EOP/WHO (b) (6) who.eop.gov>
Subject: Re: POTUS Statement on Sec. 301 Retaliation

May I spoke to Secretary Perdue this morning (he is headed to Kentucky), here is his feedback:



from my iPhone

On Apr 4, 2018, at 6:50 PM, Davis, May M. EOP/WHO (b) (6) who.eop.gov wrote:

The President would like to(b) (5)





The attached is a proposed POTUS statement. A few questions for the group: (b) (5)

Comments requested by 10:00 AM tomorrow.

Thank you,

May

May Davis
Special Assistant to the President
Associate Staff Secretary
(b) (6)

who.eop.gov

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RE: MOFCOM Statement

From "McCartin, Terry J. EOP/USTR" <terry_mccartin@ustr.eop.gov>

"Greer, Jamieson L. EOP/USTR" <jamieson.l.greer@ustr.eop.gov>, "Vaughn, Stephen P.

EOP/USTR" <stephen.p.vaughn@ustr.eop.gov>, "Gerrish, Jeffrey D. EOP/USTR"

<jeffrey.d.gerrish@ustr.eop.gov>, "Emerson, Jeffrey W. EOP/USTR"

To: <jeffrey.w.emerson@ustr.eop.gov>, "Davis, Emily K. EOP/USTR"

<emily.k.davis@ustr.eop.gov>, "Cobaugh, CC M. EOP/USTR"
<christina.m.cobaugh@ustr.eop.gov>, "Griffin, Payne P. EOP/USTR"

<garrison.p.griffin@ustr.eop.gov>

"Busis, William L. EOP/USTR" <william_busis@ustr.eop.gov>, "Tsao, Arthur N. EOP/USTR"

Cc: <arthur_n_tsao@ustr.eop.gov>, "Schuman, Sara C. EOP/USTR"

<sara_c_schuman@ustr.eop.gov>

Date: Sat, 07 Apr 2018 11:28:54 -0400

Our Embassy in Beijing has forwarded additional statements made by a MOFCOM spokesperson at a press conference yesterday relating to the President's announcement instructing ARL to consider \$100 billion in additional tariffs on Chinese products:

Q1 from Xinhua

US President Trump issued statement saying that the US considers to impose additional tariff on Chinese commodities worth 100 billion USD. What is China's comments on this?

Answer: We feel that the US action is very unjustifiable. The US side seriously misjudged the circumstances and undertook extremely wrong actions. If the US releases the list of products of 100 billion USD, China has fully prepared and will strongly fight back at once without slightest hesitation.

Q2 from CRI

What is the nature of this so called trade war?

Answer: We think it is fight between unilateralism and multilateralism, as well as a fight between protectionism and free trade. If multilateralism and free trade are threatened and the process of economy globalization is destroyed, the economic recover of the whole world will be seriously threatened, which is not conducive to China's core interests and is not conducive to the common interests of the world. When facing such major issue, we must resolutely fight.

Q3 from CNBC

You mentioned in the afternoon that China will take new comprehensive counter-measures to protect interests of the country and people. What measures are included in the new comprehensive measures? If China is going to release a list, which products will be included?

Answer: I have just said that China has fully prepared, if the US releases the list, we will strongly fight back at once without slightest hesitation. We don't exclude any option.

Q4 from CNS

We noticed that there are senior US officials said that China and the US are conducting negotiation on trade conflicts. What is MOFCOM's comment?

Answer: China noticed that different US officials stated what you just said, but it is not true. The finance and economic officials of both sides haven't had any negotiation on economic and trade issues for some



time. After the US issued the 301 investigation report and proposed product list, China made resolute responses. The US again proposed to increase 100 billion commodities for additional tariffs and China made more resolute. Under such situation, both sides are less likely to have any negotiation on this issue.

Q5 from Economic Daily

If the US takes further escalated measures, what will be your measures?

Answer: We have prepared to respond to further escalated actions taken by the US, and have already developed very concrete counter-measures. We won't stir up conflict, but if others do, we will resolutely accept the fight. Chinese people are very conscientious and we will act on what we said.

From: McCartin, Terry J. EOP/USTR **Sent:** Friday, April 6, 2018 7:54 AM

To: Greer, Jamieson L. EOP/USTR < Jamieson.L.Greer@ustr.eop.gov>; Vaughn, Stephen P. EOP/USTR < Stephen.P.Vaughn@ustr.eop.gov>; Gerrish, Jeffrey D. EOP/USTR < Jeffrey.D.Gerrish@ustr.eop.gov>; Emerson, Jeffrey W. EOP/USTR < Jeffrey.W.Emerson@ustr.eop.gov>; Davis, Emily K. EOP/USTR < Emily.K.Davis@ustr.eop.gov>; Cobaugh, CC M. EOP/USTR < Christina.M.Cobaugh@ustr.eop.gov>; Griffin, Payne P. EOP/USTR < Garrison.P.Griffin@ustr.eop.gov>

Cc: Busis, William L. EOP/USTR <William_Busis@ustr.eop.gov>; Tsao, Arthur N. EOP/USTR <Arthur_N_Tsao@ustr.eop.gov>; Schuman, Sara C. EOP/USTR <Sara_C_Schuman@ustr.eop.gov> **Subject:** MOFCOM Statement

Here is what China's Ministry of Commerce posted on its website regarding the President's announcement instructing ARL to consider \$100 billion in additional tariffs on Chinese products:

When being asked about China's comments on the reports saying that President Donald Trump has instructed the United States Trade Representative to consider \$100 billion in additional tariffs against China, MOFCOM spokesman responded that, China has noticed the related statement of the US. China has made its standpoint very clear, that is "we don't want to fight, but we are not afraid of fighting a trade war".

As for the statement of the US, China will "listen to what the US says and watch what the US acts". If the US insists on taking actions of unilateralism and trade protectionism regardless of the oppositions from China and the international society, China is bound to resolutely fight back and fight to the end. China is bound to take new and comprehensive measures and firmly defend the interests of the country and people at all cost.

The economic and trade conflicts between China and the US this time is stirred up by the US. Its nature is the US unilateralism challenges global multilateralism and the US protectionism challenges global free trade. China will continue expanding reform and openness, safeguard multiple trading system and promote the liberalization and facilitation of trade and investment.



 $\underline{>}http://www.mofcom.gov.cn/article/ae/ag/201804/20180402728771.shtml \leq$



RE: National Restaurant Association Letter on Tariffs

"Greer, Jamieson L. EOP/USTR" (b) (6)

From:

To: Laura Abshire (b) (6) restaurant.org>

Cc: "Cobaugh, CC M. EOP/USTR" <christina.m.cobaugh@ustr.eop.gov>, "Walters,

Gregory M. EOP/USTR" <gregory.m.walters@ustr.eop.gov>

Date: Thu, 12 Apr 2018 13:26:41 -0400

Attachment

National Restaurant Association Administration letter re tariffs.pdf (301.5 kB)

Laura,

s:

Thank you for reaching out. We will provide this to the Ambassador for his review.

Best,

Jamieson

JAMIESON L. GREER Chief of Staff Office of the U.S. Trade Representative Executive Office of the President

O: 202.395.9648 M: **(b) (6)**

From: Laura Abshire (b) (6) restaurant.org>

Sent: Thursday, April 12, 2018 11:55 AM

To: Greer, Jamieson L. EOP/USTR < Jamieson.L.Greer@ustr.eop.gov> **Subject:** [EXTERNAL] National Restaurant Association Letter on Tariffs

Hi Jamieson,

Please find attached a letter from the National Restaurant Association expressing our concerns about the impacts of the Administration's recent tariff announcements and retaliatory actions by China.

Should you have any questions please contact me directly.

Thanks,

Laura Abshire | Director of Sustainability Policy and Government Affairs



National Restaurant Association 2055 L Street, NW | Washington, DC 20036 (a) (b) (c) @restaurant.org

STATEMENT OF CONFIDENTIALITY

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April 11, 2018

The Honorable Robert Lighthizer United States Trade Representative Office of the U.S. Trade Representative 600 17th Street, NW Washington, DC 20006

The Honorable Steve Mnuchin Secretary of the Treasury U.S. Department of the Treasury 1500 Pennsylvania Avenue, NW Washington, DC 20220 The Honorable Wilbur Ross Secretary of Commerce U.S. Department of Commerce 1401 Constitution Avenue, NW Washington, DC 20230

Dear Ambassador Lighthizer and Secretaries Ross and Mnuchin:

On behalf of the members of the National Restaurant Association, we are deeply concerned about the economic impacts of the Administration's recent tariff announcements and retaliatory actions taken by the Chinese government. While we support the Administration taking action to enforce our trade laws, we are concerned these efforts could lead to a trade war between China and the United States that could have devastating effects on our nation's restaurants and the millions of customers we serve.

The National Restaurant Association is the leading business association for the restaurant and foodservice industry, representing more than 15.1 million employees, nearly 10 percent of the nation's workforce. With one million locations across the country, 90 percent of those being small businesses, the \$800 billion in sales from the restaurant industry makes up four percent of the U.S. GDP, making it a vital part of the U.S. economy.

Restaurants rely on global, interconnected supply chains to provide meals to millions of customers daily. Any disruption to these supply chains could significantly impact the availability and price of agricultural products, equipment, and materials to restaurants in every community.

The restaurant industry also operates on thin profit margins and must deal in real time with fluctuations in commodity prices. We are concerned that continued retaliatory actions between China and the U.S. will create volatility and uncertainty in our supply chains, disruptions to international and domestic markets, and hinder economic growth and opportunity for our members.

We urge you to work with the business community to fully understand the impacts these trade actions could have on restaurants and consumers.

Enhancing the quality of life for all we serve





Thank you for your continued leadership on international trade issues. We look forward to working with you as these discussions continue.

Sincerely,

De Rodl

Dan Roehl Vice President of Government Affairs National Restaurant Association

2055 L Street NW, Washington, DC 20036 | (202) 331-5900 | (800) 424-5156

Restaurant.org | @WeRRestaurants

[EXTERNAL] Re: Monday Panel?

From: Celeste Drake (b) (6) afficio.org>

To: "Greer, Jamieson L. EOP/USTR" <jamieson.l.greer@ustr.eop.gov>

Date: Tue, 17 Apr 2018 15:08:33 -0400

Here is the link to the event:

>https://www.c-span.org/video/?444040-1/international-trade-experts-discuss-tariffs-trade-war<

On Mon, Apr 16, 2018 at 12:07 PM, Celeste Drake (b) (6) aficio.org wrote: Hi Jamieson --

I'm so sorry I missed this in my inbox. The panel starts at 1:00 and is supposed to be broadcast live on CSPAN - 2. Here are the details.

Steel and Aluminum Tariff Roundtable at the AFL-CIO, Monday April 16 @ 1:00 p.m.

Last month, President Trump announced the imposition of tariffs on imported steel and aluminum products, leading many to declare a trade war had begun.

But behind the overreaction by traditional economists lies a true need to assess the mechanisms for trade enforcement that past U.S. administrations often failed to utilize. This failure has contributed to the impairment of industries vital to our national security, including steel and aluminum. To prevent other critical industries from being similarly decimated, we must make sure that nations that are bad actors and cheating the rules of international trade are held accountable.

Please join us on Monday, April 16 at 1:00 p.m. in the Presidents Room of the AFL-CIO Building (815 16th Street, NW) to reach beyond the hyperbole and into the details surrounding these tariffs.

Our panel of experts involved in the industries and economics surrounding the tariffs will participate in a moderated roundtable discussion and question/answer session.

Panelists:

Elizabeth Baltzan, Consulting Counsel, Wiley Rein, LLP

Elizabeth Drake, Schagrin Associates

Robert E. Scott, Economic Policy Institute

Kameen Thompson, President USW Local 9462, Conshohocken, PA

Moderator:

Celeste Drake, AFL-CIO



This forum is open to the press.

On Sat, Apr 14, 2018 at 4:38 PM, Greer, Jamieson L. EOP/USTR < <u>Jamieson.L.Greer@ustr.eop.gov</u>> wrote:

Rich told Bob in their Friday call that CSPAN would be broadcasting a panel on tariffs this coming Monday.

Do you have any more details on that?

Jamieson

Sent from my iPhone



ARL Meeting with French Minister Le Maire

From "Mullaney, Dan D. EOP/USTR" <daniel_mullaney@ustr.eop.gov>

"Millan, Juan A. EOP/USTR" <juan_millan@ustr.eop.gov>, "Martyn, Will S. EOP/USTR" <willis_martyn@ustr.eop.gov>, "Bahar, Daniel EOP/USTR" <daniel_bahar@ustr.eop.gov>, "Shackleford, Dawn M. EOP/USTR" <dawn_shackleford@ustr.eop.gov>, "Gresser, Edward"

To: B. EOP/USTR" <edward_b_gresser@ustr.eop.gov>, "Shpiece, William F. EOP/USTR"

<william_shpiece@ustr.eop.gov>, "Sanford, Jim C. EOP/USTR"
<james_sanford@ustr.eop.gov>, "Motwane, Jai Y. EOP/USTR"

<jai_motwane@ustr.eop.gov>

"Gerrish, Jeffrey D. EOP/USTR" <jeffrey.d.gerrish@ustr.eop.gov>, "Greer, Jamieson L. EOP/USTR" <jamieson.l.greer@ustr.eop.gov>, "Vaughn, Stephen P. EOP/USTR"

<stephen.p.vaughn@ustr.eop.gov>, "Weiner, David A. EOP/USTR" <david_weiner@ustr.eop.gov>, "Wedding, Timothy J. EOP/USTR"

cc: <timothy_j_wedding@ustr.eop.gov>, "Pavlovskis, Raimonds M. EOP/USTR"

<raimonds.m.pavlovskis@ustr.eop.gov>, "Savich, Silvia EOP/USTR"
<silvia.savich@ustr.eop.gov>, "Cekuta, Margaret M. EOP/USTR"

<margaret_m_cekuta@ustr.eop.gov>, "Rizzo, Sam R. EOP/USTR"
<samuel_r_rizzo@ustr.eop.gov>, "Kalutkiewicz, Katherine R. EOP/USTR"

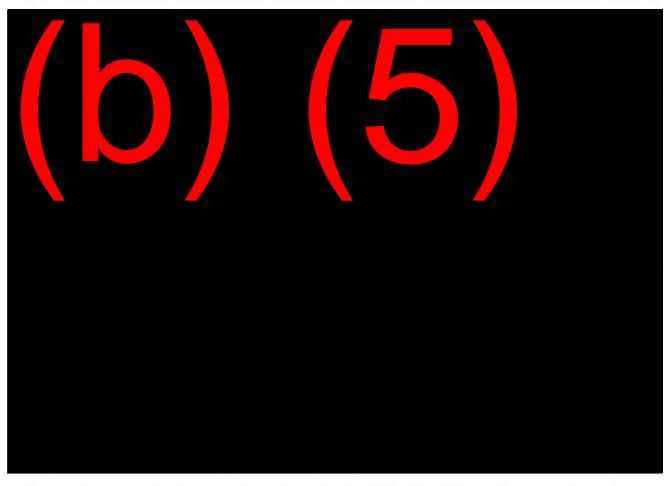
<katherine.r.kalutkiewicz@ustr.eop.gov>

Date: Wed, 25 Apr 2018 16:57:52 -0400

Le Maire started the meeting positively, referencing the great state dinner, speech to Congress, etc, and noting progress on Iran, but then characterized trade as a very tough issue, noting that after a 45-minute discussion the previous day, we were still trying to find a way out and avoid a U.S.-EU trade war.







The overall tenor of the meeting was positive, with ARL emphasizing the number of issues on which the United States and France agreed and could work constructively together, (b) (5)



[EXTERNAL] RE: Details for Farm Foundation Forum on Trade in May

Megan Provost (b) (6) armfoundation.org>
 Allen Johnson (b) (6) afjandassociates.com>, (b) (6) vt.edu, "Doud, Gregory F. EOP/USTR" <gregory.f.doud@ustr.eop.gov>, "Kays, Garrett G. EOP/USTR" <kenneth.g.kays@ustr.eop.gov>, Darci Vetter (b) (6) gmail.com>
 Cc: Constance Cullman (b) (6) farmfoundation.org>, Mary Thompson (b) (6) armfoundation.org>
 Date: Tue, 01 May 2018 10:02:39 -0400

I got limited response on a meeting time, so we're going to shoot for a quick conference call to discuss the event and final logistics with the group on the afternoon of Thursday, May 10th at 2:00pm. I'll send a calendar invite with the call-in details out shortly.

We look forward to seeing you all later this month!

Thanks, Megan

All-

From: Megan Provost

Sent: Thursday, April 26, 2018 12:36 PM

To: Allen Johnson (b) (6) afjandassociates.com>; (b) (6) vt.edu; Gregory.F.Doud@ustr.eop.gov; Kays, Garrett G. EOP/USTR < Kenneth.G.Kays@ustr.eop.gov>; Darci Vetter (b) (6) gmail.com>

Cc: Constance Cullman (b) (6) armfoundation.org>; Mary Thompson

(b) (6) armfoundation.org>

Subject: Details for Farm Foundation Forum on Trade in May

Al, Dick, (maybe) Darci, and Gregg-

We are so pleased that you all will be participating in the Farm Foundation® Forum on A Conversation with Ambassadors: Trade War or Rhetoric? We have confirmed that the Forum will be from 9:00am to 11:00am on Tuesday, May 22, 2018, at the National Press Club, Washington, DC.

We are particularly interested in each of your insights and perspectives on the agricultural trade environment today – with topics ranging from tariffs to bilaterals and multilaterals to dispute settlement cases, there certainly won't be a shortage of things to discuss! Each of your unique perspectives will be interesting to the audience as trade discussions move forward. You are each invited to take **about 15 minutes to present** your perspectives. (We can adjust that slightly, if needed.) We will then open the floor for moderated questions and discussion.



The Forum will be at **the National Press Club**, **529 14th Street**, **NW**; **Washington**, **DC**. The audience, however, will be increased by the availability of a free, live audiocast, allowing interested individuals to participate in the Forum, regardless of their location.

We would like to hold a short call with all of you prior to the Forum, to discuss the event and final logistics. Please let me know your availability for a short call on the afternoon of Wednesday, May 9th or Thursday, May 10th.

You are welcome to use or not use a PowerPoint, but if you plan to use a PowerPoint with your comments, we will need to have it by noon on Monday, May 21st, so we can upload it to the audiocast.

Immediately prior to each Forum, we do **short two-minute interviews with the Forum presenters on the key issues they are presenting**. We post these to our YouTube site to help expand the reach of the Forums. If you are willing to do a quick interview, we ask that you be at the Press Club at 8:00am on the day of the event, so that we can complete the interviews before people begin to arrive for the Forum.

Since 1933, Farm Foundation has served agriculture and rural communities as a catalyst for sound public policy, providing objective information to foster deeper understanding of issues shaping the future. We do not lobby or advocate. Our 85-year history of objectivity allows us to bring together diverse groups for meaningful discussions. Farm Foundation® Forum are one such opportunity.

We host eight Forums a year, highlighting timely issues impacting agriculture, the food system and rural communities. The intent is to provide an opportunity for all stakeholders to express opinions and share viewpoints. Forum participants include representatives of a variety of NGOs, Hill staffers, Embassy attachés, media, government agency staff, lobbyists, and academics.

Thanks much, Megan

Megan J. Provost

Vice President of Policy and Programs

Farm Foundation

1301 West 22nd Street, Suite 906 | Oak Brook, IL 60523-2197

Telephone: (630) 571-9393| Mobile: (b) (6)

E-mail: (b) (6) <u>armfoundation.org</u>

Farm Foundation

<u>>www.farmfoundation.org</u>>www.facebook.com/thefarmfoundation



[EXTERNAL] Re: Xi Jinping Puts 'Indigenous Innovation' and 'Core Technologies' at the Center of Development Priorities

Jimmy Goodrich <(b) (6) semiconductors.org>

"Greer, Jamieson L. EOP/USTR" <jamieson.l.greer@ustr.eop.gov>, "Cartin, Josh M. EOP/NSC" (b) (6) nsc.eop.gov>, "McCartin, Terry J. EOP/USTR" <terry_mccartin@ustr.eop.gov>, "Turpin, Matthew J. EOP/NSC" (b) (6) nsc.eop.gov>, "Willems, Clete R. EOP/NSC" (b) (6) @nsc.eop.gov>

Wed, 02 May 2018 10:02:20 -0400

Date:

And my own analysis of Xi's doubling down on Chinese mercantilist innovation policy shared with SIA members pasted below:

- Repeated calls this week from President Xi Jinping to end reliance on foreign technology signal that Beijing is preparing to weather tech-targeted restrictions enacted by the U.S. while also readying "precision retaliatory strikes" on industries and voters that comprise Trump's electoral base.
- Beijing is being cautiously pragmatic in its approach. While outwardly China is claiming that the suggestion of talks from the U.S. was a sign of China's moral high ground, it is nevertheless managing expectations and preparing for a tough, drawn-out process. It is also communicating to its domestic audience that China will in no way comproise its technology ambitions. Retaliatory measures are likely to be deployed if the talks falter.

(II) In front of a domestic audience, Xi doubles down on the need for indigenous innovation in the semiconductor industry

While China presents itself to the world as a staunch upholder of the WTO and willing to engage in amicable discussions with the U.S., the Communist Party has explicitly communicated to its domestic audience that it will double down on state-led industrial policy to bolster its technology ambitions, signaling that while it will negotiate with the American's, it won't compromise its national interests.

After Xi Jinping last week communicated his vision for cyberspace and indigenous innovation in the first meeting of the Central Cyberspace Affairs Commission, Xi again this week on two separate occasions reemphasized that China must "cast aside illusions and rely on ourselves" to develop core technologies, which are "national instruments," [1] which in Chinese also means "national weaponry."

The profound implications and symbolic, almost Maoist nature of these visits cannot be understated - Chairman Xi has explicitly declared that semiconductors, including memory, are "national intrstruments" that the state must develop at all costs, which he directly stated is akin to China's need to develop nuclear weapons. The message from Xi is clear: China will protect its technology industries from American Government demands and actions at all costs.





Above: President Xi Jinping in pose with striking resemblance to Mao while visiting China's three gorges dam in Wuhan, said "China cannot rely on others" for "core technology"

These remarks this week were made when Xi visited two companies in Wuhan that are coincidently working hard to develop alternatives to components effected by the ZTE ban, namely, Wuhan Xinxin Semiconductor Manufacturing (XMC), a memory chip company under the Yangtze Memory Technologies Co., Ltd., (YMTC) that is developing 3D-NAND flash and has received \$10 billion USD in subsidies from the National IC Fund, Tsinghua Unigroup, and the Hubei Government, and FiberHome, a Wuhan fiber company that develops optical interconnects. Xi was quoted as saying: "We face unprecedented challenges as well as opportunities. We must rely on ourselves to make breakthrough in major core technologies, each and every person must dutifully make efforts to assist the Chinese nation in achieving great rejuvenation." Xi Further stated that China "cannot rely on others" for the development of "national instruments" and "just like the development of nuclear weapons" (Which was under Mao, i.e. why the Chinese State media compared Xi to Mao in their press coverage through imagrey that diptics Xi in Maoist like poses), China must "tighten its belt" and work hard to develop core tech on its own.

Notably, Tsinghua Unigroup Chairman Zhao Weiguo, who recently resigned from several subsidaries of Tsinghua Unigroup, was seen in a photo accompanying Xi in during the visit to Wuhan XMC. This indicates that Zhao is not politically in trouble. Xi also reportedly congratulated Zhao on his birthday, but the articles were quickly taken down.





(Zhao, second to the right, was seen accompanying Xi during the XMC visit.)



(FiberHome's office has the Chinese characters "Chinese Domestic Chip" on its wall, right above its company logo.)

SIA China Update: Xi Jinping Reiterates Party Control Over Internet & Techno-Nationalist Innovation Agenda

Last Thursday and Friday in Beijing, in the first meeting of the Chinese Communist Party's newly upgraded Central Cyberspace Affairs Commission (CCAC), CCP General Secretary and Chinese President *Xi Jinping called for doubling down on*

indigenous innovation and top-down party control over the Internet in what was interpreted domestically as clear defiance to the the Trump administration's stated objections to China's technology ambitions. Xi emphasized that indigenous innovation is not negotiable, describing core technologies as "national instruments"(国之重器) as well as a "great matter of the nation" both of which being very nationalistic terms.

The CCAC meeting lasted two days, which is longer than any other party committee meeting held to date under the new leadership, and all seven members of the new Politburo Standing Committee were present. While the meeting came on the heels of the US government's proposed 301 action and the ZTE export ban, it's important to note that internal party protocol would have required this meeting have occurred anyway and been chaired by Xi regardless of recent tensions.

Overall Xi's expressed a high degree of continuity with recent party rhetoric on innovation and cyberspace, illustrating that his stance on key technological development priorities has not altered. Anchoring Xi's cyber vision is the belief that the emerging information revolution will have a profound effect on Chinese society in a similar vein to the agricultural and industrial revolutions. Thus, it is of existential importance for the communist party to control core technologies, develop "secure and controllable" technology infrastructure and strengthen ideological control of online content.

As with other high-level declarations by Xi Jinping, his words will prove very influential on government policy making and dominate party priorities. Standing Committee member and leading Chinese political theorist, Wang Huning, closed the CCAC meeting by lauding Xi's vision stating that the "important speech of General Secretary Xi Jinping stood on the heights of human historical development."

KEY POINTS:

(1) Xi Jinping has been "completely correct" all along

Xi championed the party's decisions in cyberspace since he came to power during the 18th National People's Congress. The strengthening of uniform leadership of the party over cybersecurity and informatization were "completely correct." This point has been frequently made in state media following the 301 and ZTE issues.

(2) A matter of national security

Xi reinforced absolutely party control over internet content reiterating his long standing phrase that "without cybersecurity, there is no national security" and how both are necessary components for the stability of China's economy and society. He commands the party to establish a "correct cybersecurity view," while strengthening "the construction of comprehensive cybersecurity information mechanisms."



(3) Promote an institutional environment – including international trade and IPR protection

For the first time, possibly in reaction to the recent trade tensions, international trade rules were mentioned as a priority of the institutional cyber framework. Xi also emphasized the importance of protecting intellectual property rights, optimizing the market and opposing monopolies and unfair competition to build a fair market environment.

(4) Unite government, business and society around the goal of domestic technological innovation

Xi envisions an all-hands-on-deck governance system that integrates corporate responsibility, and netizen's self-discipline under the leadership and control of the party. Industries and enterprises that deal with "critical information infrastructure" are also expected to bear responsibility for its protection.

(5) The term "civil-military fusion in cyberspace and informatization (军民融合)," was introduced for the first time.

Civil-military fusion is a concept designed to narrow the divide between China's prosperous private sector research capabilities and the military industrial base to turn the latter into a technologically advanced fighting force. The direct link between cyberspace and informatization with this concept suggests that Xi is positioning informatization as an opportunity for future public-private cooperation.

The above references imply that the government is seeking increased buy-in from industry, society and individuals towards the successful development of China's indigenous technological capabilities.

(6) A vision for both China and the world, opportunities for international cooperation

Xi's call for oversight over the internet offers a scope for international cooperation, around the principle of cyber-sovereignty, which is presented as a model for developing countries (especially OBOR countries).

- "We must both promote cyber governance within the United Nations framework, and...with the construction of

"One Belt One Road" as a juncture, strengthen cooperation in areas such as basic network infrastructure construction, the digital economy, cybersecurity, etc., and build a Digital Silk Road for the 21st Century."

IMPLICATIONS:

➤ Indigenous innovation is non-negotiable, technological development priorities remain unchanged

Concessions from US trade action aimed at Made in China 2025 or other industrial plans will be difficult. Xi's doubling down on indigenous innovation is unlikely a bluff used for negotiation, but rather illustrates continuity with his previous statements and actions since coming to power.

► Xi's envisions an all-encompassing cyber-campaign

Xi is demanding leading businesses, society and individuals to become invested in the development of China's cyber capabilities for national development. The encouragement to leverage informatization in civil-military fusion i.e. public-private partnership, is a strong example of this. The recent exposure in the ZTE case of China's reliance on technological imports is a further reason for its encouragement.

➤ Some indications for an improved tech environment

Amidst the calls for technological self-reliance, Xi does mention the need to optimize the market to promote innovation. This includes a call for international trade as well as IPR protection and creating a "green channel" for basic research. Xi also highlights specific critical future sectors including artificial intelligence, big data, and smart manufacturing, and mentions support for "cybersecurity and informatization enterprises." Funds and other forms of support will continued to be made available in these sectors.



English translation of official Xinhua report from China Copyright Media (Link) <u>>https://chinacopyrightandmedia.wordpress.com/2018/04/22/xi-jinpings-speech-at-the-national-cybersecurity-and-informatization-work-conference</u>

Chinese version is here: http://www.gov.cn/xinwen/2018-04/21/content 5284783.htm

On May 2, 2018, at 9:55 AM, Jimmy Goodrich < <u>JGoodrich@semiconductors.org</u>> wrote:

Important analysis of the hardline that XJP has taken with his domestic audience - his signal is clear - he has drawn a line and said hi-tech is a core national security priority of China.

>https://www.newamerica.org/cybersecurity-initiative/digichina/blog/xi-jinping-puts-indigenous-innovation-and-core-technologies-center-development-priorities/<

Xi Jinping Puts 'Indigenous Innovation' and 'Core Technologies' at the Center of Development Priorities

Under Pressure, Xi Signals China Won't Retreat From Tech Development Programs

BLOG POST

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se leader Xi Jinping updated his guidance ts of the Internet—presenting his view that up visit to high-tech facilities, Xi stood ited States and elsewhere, calling for "selfons of industrial isolation.



Viewed in a trajectory of related authoritative statements, the speech signaled increased emphasis on indigenous development. The timing of the speech called out for comparison, taking place on April 20, two years and a day after a 2016 speech at a similar gathering that became known in Chinese shorthand as the "4.19 speech." The text of the new "4.20 speech" has not been published, but DigiChina's **full translation of the most complete public accounting of the speech** reveals notable rhetorical innovations and iterations.

Xi's "4.20" speech took place in the context of an escalating, multilayered dispute between China and the United States over industrial, trade, and investment policy in which the digital world is a primary battleground. Viewed in that light, Xi gave no ground, repeating the goal of building China into a cyber superpower (网络强国), and connecting that strategy explicitly to developing indigenous innovation (自主创新). Xi focused on core technologies (核心技术), a thriving digital economy, and strong controls and political work by Chinese Communist Party (CCP) and government authorities online.

Furthering his emphasis on indigenous innovation and core technologies, Xi sent a letter to a Digital China Summit in Fuzhou, Fujian, that featured private sector leaders including Alibaba's Jack Ma and Tencent's Pony Ma. "A real company is not determined by its market value or market share, but how much responsibility it takes and whether it has mastered core and key technologies," Alibaba's Ma reportedly said. Xi then took to the road, visiting Wuhan, Hubei, where he stopped at a high-tech development zone and visited businesses developing semiconductor and fiber-optic technology.

Amidst a top-level audience, Wang Huning's role confirmed



In the conventions of CCP and Chinese state gatherings, the intended importance of a meeting is signaled in part by the attendees. All indications are that Xi's 4.20 speech was designed for maximum impact. All seven members of the new Politburo Standing Committee were in attendance at the two-day event, which also included leaders of major state-owned enterprises.

Premier Li Keqiang and the Party's chief ideologue, Wang Huning, both gave speeches—and the Xinhua report named Wang for the first time as a deputy director of the **newly elevated** Central Commission for Cybersecurity and Informatization. This confirms analysis, based on Wang's speech at the December 2017 Wuzhen World Internet Conference (**transcribed and translated** by DigiChina) that Wang would be a major player in Xi's new cyberspace governance lineup.

Xi's lengthening legacy of cyberspace policy statements

Xi and the group of senior advisors who contribute to his speeches on cyberspace issues have come up with a growing set of catchphrases, new terms, and novel formulations to capture the leader's vision of China's digital destiny. Together, these "important speeches" are regularly cited and praised by other senior leaders, and they have become part of the bedrock of plans and rhetorical material that every policy move in the ICT sector, and sometimes beyond, is expected to support.

Here is a timeline of Xi's most important speeches in this field:



Date

Occasion and key phrases

February 2014

Announcing the new Central Leading Group on Cybersecurity and Informatization

- "Without cybersecurity there is no national security; without informatization, there is no modernization" (没有网络安全就没有国家安全, 没有信息化就没有现代化).
- "Cybersecurity and informatization are two wings of one body, and two wheels of one engine"
 (网络安全和信息化是一体之两翼、驱动之双轮).
- The strategy of "building China into a cyber superpower" (把我国建设成为网络强国).

December 2015

Speech at the Second World Internet Conference in Wuzhen

- "Community of shared destiny in cyberspace" (网络空间命运共同体)
- "Five propositions" and "four principles" related to China's views on international cyberspace and
 Internet governance (see appendix here).

April 2016

'4.19' Speech at the first Cybersecurity and Informatization Work Conference

- "Core technology" (核心技术) is raised frequently.
- "National responsibility of Internet companies" (互联网企业的国家责任).



'4.20' Speech at a second Cybersecurity and Informatization Work Conference

- "Comprehensive network governance capabilities" (网络综合治理能力).
 A new catch-all phrase for the hierarchy of roles and responsibilities in Xi's whole-of-society effort to build a 'cyber superpower,' in which the party plays a leading role.
- "Core technologies" as "important instruments of the state" (核心技术是国之重器).
- "Strengthen civil-military integration in the cybersecurity and informatization domain"
 (加强网信领域军民融合).

While not altogether a new formulation—"civil-military integration" as a concept has been around since Deng Xiaoping—this may be the first time Xi has mentioned civil-military integration in a major speech on ICT work, suggesting that PLA procurement and R&D needs are now a priority of the **newly elevated**Central Commission for Cybersecurity and Informatization.

- "Move forward the construction of China as a cyber superpower through indigenous innovation" (自主创新推进网络强国建设).
- "Without cybersecurity, there is no national security, the economy and society will not operate in a stable manner, and the broad popular masses' interests will be difficult to guarantee."
 (没有网络安全就没有国家安全,就没有经济社会稳定运行,广大人民群众利益也难以得到保障).
- "Correct cybersecurity view" (正确的网络安全观).

Increased emphasis on 'core technologies'



In what appears to be a novel twist of phrase, Xi in last month's 4.20 speech said "core technologies are important instruments of the state" (国之重器). The term we translate as "important instruments" has the sense of both a tool and a weapon. In other words, integrated circuits and operating systems, rather than being merely commercial products churned out by profit-driven firms, actually constitute instruments of national power—whether employed for domestic stability, international security, or economic leadership.

The charge to develop core technologies in service of state priorities builds on a longstanding theme in Chinese thinking on cybersecurity and informatization: Domestically produced core technologies, based on homegrown intellectual property and free of foreign control or dependency, have been presented as crucial to constructing a cyber superpower since Xi's 4.19 speech in 2016.

But what is a "core technology," other than something to which the Xi government seeks to secure China's autonomous access? In the 4.19 speech, Xi described core technologies as falling into three categories: "The first is basic technology, commonly used technology. The second is asymmetric technology, or 'trump card' technology. The third is advanced technology, or disruptive technology."

Still, there is no definitive list of what Xi and industry leaders mean by core technology, but rather a shifting list based on situation and technological development. A partial list of ICT technologies almost surely considered "core" would include cryptography, certain types of advanced semiconductors (such as those the U.S. has **announced** will be denied to the Chinese firm ZTE), advanced memory circuits, server technology, and a growing list of software, including operating systems, enterprise-level database software, cybersecurity software, cloud systems, and lately both hardware and algorithms that power advanced artificial intelligence systems.



Priming a domestic audience and doubling down in the face of potential cut-off from U.S. technology

When Xi visited Hubei Province after the 4.20 speech, he made a symbolically important stop at a subsidiary to the integrated circuit (IC) company Yangtze Memory Technologies Co. (YMTC), which **describes** itself as a joint effort by the National IC Fund (see Sec. V here), Hubei IC funds, and Tsinghua Unigroup, which is led by Xi-connected executive Zhao Weiguo.

Xi also visited China's "fiber-optic valley" in the Wuhan area, marking one of the industries in which China's drive to become less dependent on foreign suppliers could be considered most successful. There, Xi asked businesses to "strengthen their Party-building work, and use Party building as a guide to promote enterprise innovation and development."

During his tour, Xi projected a siege mentality toward current U.S. action against China, as he expounded on the central theme of his 4.20 speech. He **reminded** his audience that China had endured foreign blockades in the past, and had practiced "self-reliance" while the Chinese people had "tightened their belts" and "grit their teeth" in order to build "two bombs, one satellite" (两弹一星)—a reference to China's atomic bomb and missile programs in the 1960s. In this case, the foreign blockade that China may face is not based in the Cold War, but in a deep potential fissure between Chinese and U.S. science and technology industrial bases. The next step, Xi said, would be to "cast aside illusions and rely on ourselves."



What "illusions" does Xi believe China must abandon? The illusion that technology is not an instrument of national power? The illusion of a global and interoperable tech commons? Regardless, Xi's speeches, both in Wuhan and at the 4.20 work conference, show that Xi is doubling down, not stepping back in the face of U.S. actions. The tone of the speeches gives Xi little leeway to substantially roll back industrial policies like Made in China 2025 and the National IC Fund that have borne the brunt of U.S. and other criticism generally and the U.S. Trade Representative's Section 301 investigation report in particular. Xi has set expectations for the Chinese public that their government will not relent in efforts to reduce technological dependence, and international observers should take note.



tariffs on hold?

From: "Navarro, Peter K. EOP/WHO" (b) (6) who.eop.gov>

To: "Lighthizer, Robert E. EOP/USTR" < (b) (6) @ustr.eop.gov>

Date: Sun, 20 May 2018 12:15:30 -0400

In an exclusive interview, <u>@stevenmnuchin1</u> tells Chris: "We're putting the trade war on hold, so right now we have agreed to put the tariffs on hold while we try to execute the framework."

Peter Navarro, Assistant to the President for Trade and Manufacturing Policy Director, Office of Trade & Manufacturing Policy

(b) (6)



Re: Bob Davis

From: "Davis, Emily K. EOP/USTR" <emily.k.davis@ustr.eop.gov>

To: "Greer, Jamieson L. EOP/USTR" <jamieson.l.greer@ustr.eop.gov>

Date: Sun, 03 Jun 2018 17:49:21 -0400

Thanks - good to know. I haven't heard from Bob Davis recently.

Sent from my iPhone

On Jun 3, 2018, at 4:50 PM, Greer, Jamieson L. EOP/USTR < Jamieson.L. Greer@ustr.eop.gov> wrote:

Bob Davis called me and said that he is doing a story on China-US trade relations that will come out tomorrow. He is focused on his perception that trade policy was inconsistent, citing Mnuchin's trade war "on hold" comment, your statement the next day, the meetings in the US with Liu He that focused on increased exports, and the May 29 statement reiterating that the 301 remedies were still in play and would be imposed in June.

He wanted more information on why the May 29 statement was released when it was, whether the President was trying to be tough on China after appearing to have given ground in some areas, and other similar questions.

Bob mentioned that others have not been reluctant to share their views with him and he thought that USTR's view would be valuable.



Jamieson

JAMIESON L. GREER Chief of Staff Office of the U.S. Trade Representative Executive Office of the President O: 202.395.9648

M: (b) (6)



Chinese Embassy Questions

From . "McCartin, Terry J. EOP/USTR" <terry_mccartin@ustr.eop.gov>

"Greer, Jamieson L. EOP/USTR" <jamieson.l.greer@ustr.eop.gov>, "Gerrish, Jeffrey D.

To: EOP/USTR" <jeffrey.d.gerrish@ustr.eop.gov>, "Vaughn, Stephen P. EOP/USTR"

<stephen.p.vaughn@ustr.eop.gov>

Date: Tue, 12 Jun 2018 19:29:47 -0400

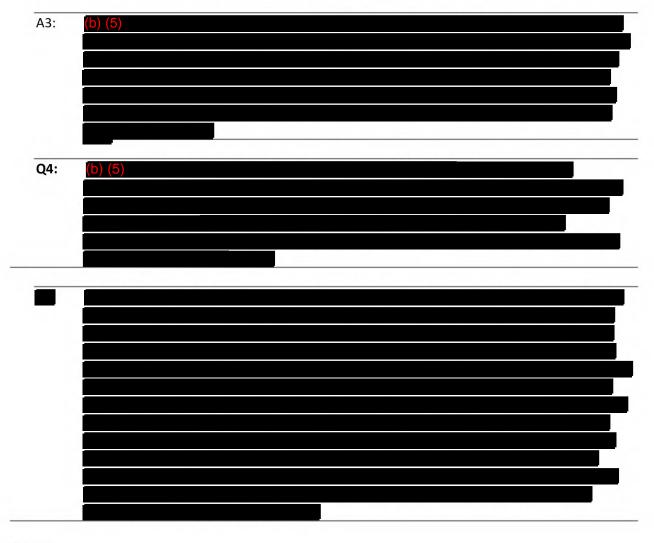
Jamieson/Jeff/Stephen,

Zhu Hong, the Economic and Commercial Minister from the Chinese Embassy, asked to talk with me today, as we do periodically.

Zhu came prepared with four questions, which are set forth below along with my responses. As you will see, in the course of asking his questions, Zhu referenced two recent calls with Chinese Ambassador to the United States Cui Tiankai, one involving Secretary Ross and another involving Secretary Mnuchin.

Q1:	(b) (5)
_	
Q2:	(b) (5)
Q3:	(b) (5)





Terry



FW: Mofcom statement

From "McCartin, Terry J. EOP/USTR" <terry_mccartin@ustr.eop.gov>

"Greer, Jamieson L. EOP/USTR" <jamieson.l.greer@ustr.eop.gov>, "Gerrish, Jeffrey D.

To: EOP/USTR" <jeffrey.d.gerrish@ustr.eop.gov>, "Vaughn, Stephen P. EOP/USTR"

<stephen.p.vaughn@ustr.eop.gov>

Cc: "Busis, William L. EOP/USTR" <william_busis@ustr.eop.gov>

Date: Fri, 15 Jun 2018 10:14:21 -0400

FYI.

----Original Message----

From: Green, James B (Beijing) < GreenJB@state.gov>

Sent: Friday, June 15, 2018 10:10 AM

To: McCartin, Terry J. EOP/USTR <Terry_McCartin@USTR.EOP.GOV>; Yang, Aileen D. EOP/USTR <Aileen_D_Yang@ustr.eop.gov>; Rigoli, Lisa A. EOP/USTR <Lisa.A.Rigoli@ustr.eop.gov>; Schuman, Sara C (Beijing) <SchumanSC@state.gov>; Busis, William L. EOP/USTR <William_Busis@ustr.eop.gov>

Subject: Mofcom statement

Unofficial English translation if helpful

From: Yahoo <jialw99@yahoo.com> Sent: Friday, June 15, 2018 10:01 PM

To: Jia, Liwen (Beijing)

Cc: Green, James B (Beijing); Xiang, Ting (Beijing); Gao, Fei (Beijing); Lobstein, Baron P (Beijing); Partridge,

Diana C (Beijing); Schuman, Sara C (Beijing); Lu, My N (Beijing); Bristol, Joseph C (Joey) (Beijing)

Subject: Re: Weekend Chinese Trade Monitoring

MFA released its spokespersons response at these time with the same words >http://www.mfa.gov.cn/web/fyrbt 673021/t1569330.shtml<

发自我的 iPhone

在 2018年6月15日, 21:50, Yahoo < jialw99@yahoo.com<mailto:jialw99@yahoo.com>>> 写道:

MOFCOM released response on8:45pm here attached the quick translation.detail retaliation list has not released yet. Will keep you updated.

MOFCOM Spokesperson responded to the US trade measures on China >http://www.mofcom.gov.cn/article/ae/ag/201806/20180602756351.shtml<

China and the United States have conducted several rounds of consultations on economic and trade issues attempting to resolve differences and achieve a win-win result. However, we deeply regret that the United States has disregarded the consensus it has formed and insists on provoking a trade war. This move is not only damaging bilateral interests but also undermining the world trade order. China firmly opposes it.

China does not want a trade war. However, in the face of the short-sighted behavior that the United States has done against people, China has to respond strongly and firmly defend the interests of the country and the people, and resolutely safeguards economic globalization and the multilateral trading system. China will immediately introduce taxation measures of the same scale and the same strength, and all the economic and trade achievements agreed by



both parties will be invalidated at the same time.

Nowadays, launching a trade war is not in the global interest. China calls on all countries to take joint actions, resolutely put an end to this outdated and regressive behavior, and firmly defend the common interests of mankind.

发自我的 iPhone



RE: China

From

"Demirjian, Sushan EOP/USTR" <sushan_demirjian@ustr.eop.gov>

"Doyle, Brett W. EOP/USTR"

'brett.w.doyle@ustr.eop.gov>, "McCartin, Terry J. EOP/USTR"

To: <terry_mccartin@ustr.eop.gov>, "Bomer Lauritsen, Sharon E. EOP/USTR"

<sharon e bomerlauritsen@ustr.eop.gov>

"Kays, Garrett G. EOP/USTR" <kenneth.g.kays@ustr.eop.gov>, "Koch-Weser, lacob N.

Cc: EOP/USTR" <iacob_n_koch-weser@ustr.eop.gov>, "Jackson, Christopher L. EOP/USTR"

<christopher.l.jackson@ustr.eop.gov>

Date: Mon, 18 Jun 2018 13:12:18 -0400

FYI: https://www.seafoodsource.com/features/in-trade-war-escalation-china-targets-us-seafood-products-with-25-percent-tariff

----Original Message----

From: Doyle, Brett W. EOP/USTR

Sent: Monday, June 18, 2018 10:23 AM

To: McCartin, Terry J. EOP/USTR < Terry_McCartin@USTR.EOP.GOV>; Demirjian, Sushan EOP/USTR

<Sushan Demirjian@ustr.eop.gov>; Bomer Lauritsen, Sharon E. EOP/USTR

<Sharon E BomerLauritsen@ustr.eop.gov>

Cc: Kays, Garrett G. EOP/USTR < Kenneth.G.Kays@ustr.eop.gov>; Koch-Weser, Iacob N. EOP/USTR

<Iacob N Koch-Weser@ustr.eop.gov>; Jackson, Christopher L. EOP/USTR

<Christopher.L.Jackson@ustr.eop.gov>

Subject: RE: China

Sounds like a plan, thanks.

----Original Message----

From: McCartin, Terry J. EOP/USTR

Sent: Monday, June 18, 2018 10:00 AM

To: Demirjian, Sushan EOP/USTR <Sushan_Demirjian@ustr.eop.gov>; Doyle, Brett W. EOP/USTR

<Brett.W.Doyle@ustr.eop.gov>; Bomer Lauritsen, Sharon E. EOP/USTR

<Sharon E BomerLauritsen@ustr.eop.gov>

Cc: Kays, Garrett G. EOP/USTR < Kenneth.G.Kays@ustr.eop.gov>; Koch-Weser, Iacob N. EOP/USTR

<Iacob N Koch-Weser@ustr.eop.gov>; Jackson, Christopher L. EOP/USTR

<Christopher.L.Jackson@ustr.eop.gov>

Subject: RE: China

China's tariffs do not go into effect until July 6. (b) (5)

----Original Message----

From: Demirjian, Sushan EOP/USTR

Sent: Monday, June 18, 2018 9:51 AM

To: Doyle, Brett W. EOP/USTR <Brett.W.Doyle@ustr.eop.gov>; Bomer Lauritsen, Sharon E. EOP/USTR

<Sharon E BomerLauritsen@ustr.eop.gov>; McCartin, Terry J. EOP/USTR

<Terry McCartin@USTR.EOP.GOV>

Cc: Kays, Garrett G. EOP/USTR < Kenneth.G.Kays@ustr.eop.gov>; Koch-Weser, Iacob N. EOP/USTR

<Iacob N Koch-Weser@ustr.eop.gov>; Jackson, Christopher L. EOP/USTR



<Christopher.L.Jackson@ustr.eop.gov>

Subject: RE: China

I defer to Terry on who would be best placed to respond. (b) (5)

----Original Message----

From: Doyle, Brett W. EOP/USTR Sent: Monday, June 18, 2018 9:44 AM

To: Demirjian, Sushan EOP/USTR <Sushan_Demirjian@ustr.eop.gov>; Bomer Lauritsen, Sharon E. EOP/USTR

<Sharon E BomerLauritsen@ustr.eop.gov>; McCartin, Terry J. EOP/USTR

<Terry McCartin@USTR.EOP.GOV>

Cc: Kays, Garrett G. EOP/USTR < Kenneth.G.Kays@ustr.eop.gov>; Koch-Weser, Iacob N. EOP/USTR

<Iacob_N_Koch-Weser@ustr.eop.gov>; Jackson, Christopher L. EOP/USTR

<Christopher.L.Jackson@ustr.eop.gov>

Subject: RE: China

Thanks Sushan, I think (b) (5) (b) (5)

----Original Message----

From: Demirjian, Sushan EOP/USTR Sent: Monday, June 18, 2018 9:38 AM

To: Bomer Lauritsen, Sharon E. EOP/USTR < Sharon E Bomer Lauritsen@ustr.eop.gov>; Doyle, Brett W.

EOP/USTR <Brett.W.Doyle@ustr.eop.gov>; McCartin, Terry J. EOP/USTR <Terry McCartin@USTR.EOP.GOV>

Cc: Kays, Garrett G. EOP/USTR <Kenneth.G.Kays@ustr.eop.gov>; Koch-Weser, Iacob N. EOP/USTR

<Iacob_N_Koch-Weser@ustr.eop.gov>; Jackson, Christopher L. EOP/USTR

<Christopher.L.Jackson@ustr.eop.gov>

Subject: RE: China

The list includes all kinds of seafood: live, fresh, chilled, frozen, filleted, and processed. (b) (5)

----Original Message----

From: Bomer Lauritsen, Sharon E. EOP/USTR

Sent: Monday, June 18, 2018 9:20 AM

To: Doyle, Brett W. EOP/USTR <Brett.W.Doyle@ustr.eop.gov>; McCartin, Terry J. EOP/USTR

<Terry McCartin@USTR.EOP.GOV>

Cc: Kays, Garrett G. EOP/USTR < Kenneth.G.Kays@ustr.eop.gov>; Demirjian, Sushan EOP/USTR

<Sushan Demirjian@ustr.eop.gov>; Koch-Weser, Iacob N. EOP/USTR <Iacob N Koch-Weser@ustr.eop.gov>;

Jackson, Christopher L. EOP/USTR < Christopher.L.Jackson@ustr.eop.gov>

Subject: RE: China

Please note that the list doesn't address Cantwell's question about imports processed and then reexported. Do we know the answer to that?

----Original Message----

From: Doyle, Brett W. EOP/USTR



Sent: Monday, June 18, 2018 9:19 AM

To: McCartin, Terry J. EOP/USTR <Terry_McCartin@USTR.EOP.GOV>; Bomer Lauritsen, Sharon E. EOP/USTR <Sharon E BomerLauritsen@ustr.eop.gov>

Cc: Kays, Garrett G. EOP/USTR < Kenneth.G.Kays@ustr.eop.gov>; Demirjian, Sushan EOP/USTR

<Sushan_Demirjian@ustr.eop.gov>; Koch-Weser, Iacob N. EOP/USTR <Iacob_N_Koch-Weser@ustr.eop.gov>;

Jackson, Christopher L. EOP/USTR < Christopher.L.Jackson@ustr.eop.gov>

Subject: RE: China

Thanks Terry, is the list you sent around a public document? Also, is this a USTR work product or did someone else generate it?

----Original Message----

From: McCartin, Terry J. EOP/USTR

Sent: Monday, June 18, 2018 9:13 AM

To: Bomer Lauritsen, Sharon E. EOP/USTR <Sharon_E_BomerLauritsen@ustr.eop.gov>; Doyle, Brett W.

EOP/USTR <Brett.W.Doyle@ustr.eop.gov>

Cc: Kays, Garrett G. EOP/USTR < Kenneth.G.Kays@ustr.eop.gov>; Demirjian, Sushan EOP/USTR

<Sushan_Demirjian@ustr.eop.gov>; Koch-Weser, Iacob N. EOP/USTR <Iacob_N_Koch-Weser@ustr.eop.gov>

Subject: RE: China

Here are the two 301 tariff retaliation lists from China.

----Original Message----

From: Bomer Lauritsen, Sharon E. EOP/USTR

Sent: Monday, June 18, 2018 9:08 AM

To: Doyle, Brett W. EOP/USTR <Brett.W.Doyle@ustr.eop.gov>

Cc: Kays, Garrett G. EOP/USTR < Kenneth.G.Kays@ustr.eop.gov>; Demirjian, Sushan EOP/USTR

<Sushan Demirjian@ustr.eop.gov>; McCartin, Terry J. EOP/USTR <Terry McCartin@USTR.EOP.GOV>; Koch-

Weser, Iacob N. EOP/USTR < Iacob_N_Koch-Weser@ustr.eop.gov>

Subject: RE: China

Seafood is on the list, but I do not know if that includes product that is processed and reexported. Copying others who may know.

----Original Message----

From: Doyle, Brett W. EOP/USTR

Sent: Monday, June 18, 2018 8:50 AM

To: Bomer Lauritsen, Sharon E. EOP/USTR < Sharon E. BomerLauritsen@ustr.eop.gov>

Cc: Kays, Garrett G. EOP/USTR < Kenneth.G. Kays@ustr.eop.gov>

Subject: FW: China

Hi Sharon,

Please see the email traffic below from Sen. Cantwell's office. Do we know if China is threatening tariffs on U.S. seafood exports in response to the 301?

Thanks.

Brett

----Original Message----

From: Teutschel, Nicole (Cantwell) (b) (6) cantwell.senate.gov>

Sent: Friday, June 15, 2018 7:54 PM

To: Hale, Jonathan (Cantwell) (b) (6) cantwell.senate.gov>

Cc: Lobstein, Baron P (Beijing) < Lobstein BP@state.gov>; Doyle, Brett W. EOP/USTR



<Brett.W.Doyle@ustr.eop.gov> Subject: Re: China

Hello,

To make sure we're on the same page,

We are curious if us seafood exported to China for processing, then exported to other locations would be impacted. Large amounts of US caught seafood is shipped to China to be processed (made into fillets, fried, etc) before ultimately being sold to the EU, the US, Russia, Japan and China.

Thank you for looking into this for us.

Best, Nikky

>

- > Sent from my BlackBerry 10 smartphone.
- > Original Message
- > From: Hale, Jonathan (Cantwell)
- > Sent: Saturday, June 16, 2018 6:03 AM
- > To: Doyle, Brett W. EOP/USTR; Lobstein, Baron P (Beijing)
- > Cc: Teutschel, Nicole (Cantwell)
- > Subject: China

>

> Brett - Could USTR help us figure out if the new Chinese tariffs include not only seafood but secondary processing? If not, who should we ask at the embassy or commerce? Copying the us embassy on this message too. Thanks, Jonathan



[EXTERNAL] Re: Trump directs USTR to recommend tariffs on \$200 billion worth of Chinese goods | InsideTrade.com

From: Dan DiMicco (b) (6) outlook.com>

To: Payne Griffin (b) (6) gmail.com>

Cc: "Griffin, Payne P. EOP/USTR" <garrison.p.griffin@ustr.eop.gov>

Date: Tue, 19 Jun 2018 09:26:58 -0400

Thanks. It should be

On Jun 19, 2018, at 9:24 AM, Payne Griffin (b) (6) gmail.com wrote:

No. 25% on first 50 billion then 10% on next 200B

On Tue, Jun 19, 2018 at 9:23 AM Dan DiMicco (b) (6) outlook.com wrote: Does this mean the tariff is now 35%?

On Jun 19, 2018, at 8:21 AM, Michael Stumo (b) (6) prosperousamerica.org> wrote:

<u>>https://insidetrade.com/daily-news/trump-directs-ustr-recommend-tariffs-200-billion-worth-chinesegoods?s=em<</u>

Trump directs USTR to recommend tariffs on \$200 billion worth of Chinese goods

President Trump on Monday night upped the ante in his administration's trade feud with China by ordering U.S. Trade Representative Robert Lighthizer to identify \$200 billion worth of Chinese goods for additional 10 percent tariffs.

The announcement was made in response to Beijing's pledge to hit the U.S. with tariffs on \$50 billion of U.S. goods after Trump last week announced the U.S. was moving forward with its own 25 percent tariff on \$50 billion in Chinese goods following a Section 301 investigation into Beijing's intellectual property and technology transfer policies.

Trump said in a statement that Beijing's response shows that it "apparently has no intention of changing its unfair practices related to the acquisition of American intellectual property and technology. Rather than altering those practices, it is now threatening United States companies, workers, and farmers who have done nothing wrong."



"This latest action by China clearly indicates its determination to keep the United States at a permanent and unfair disadvantage, which is reflected in our massive \$376 billion trade imbalance in goods. This is unacceptable," Trump said. "Further action must be taken to encourage China to change its unfair practices, open its market to United States goods, and accept a more balanced trade relationship with the United States."

The additional 10 percent tariff on \$200 billion worth of Chinese goods will go into effect "after the legal process is complete" and if "China refuses to change its practices" or "insists on going forward with the new tariffs that it has recently announced," Trump said.

The president warned that additional tariff increases from China in response to the move would prompt the U.S. to pursue "additional tariffs on another \$200 billion of goods."

Business and agricultural groups have recoiled at the exchange of tariff threats between the two largest economies in the world and have called on Trump to stand down and seek a negotiated settlement. Trump, however, has said that "trade wars are good, and easy to win," while his Commerce secretary, Wilbur Ross, has argued that the U.S. has less to lose due to its trade deficit with China and because Beijing is heavily dependent on agriculture and technology imports.

"There is no real-world circumstance where China could cut our GDP by that much," Ross said in a May 14 speech. "We simply don't export enough to them."

China has said that the imposition of tariffs by the U.S. would void all previously agreed upon trade outcomes.

Last week, USTR announced two lists of Chinese goods it would hit with 25 percent tariffs as a result of the 301 investigation. The first set contains 818 lines covering about \$34 billion worth of imports from China, and collection of duties will begin on July 6. The second set of 284 proposed tariff lines covers about \$16 billion in Chinese goods and will undergo further review and refinement before imposed.

When those tariffs were announced, Trump said additional duties would be imposed "if China engages in retaliatory measures, such as imposing new tariffs on United States goods, services, or agricultural products; raising non-tariff barriers; or taking punitive actions against American exporters or American companies operating in China."



Trump had previously threatened China with tariffs on an additional \$100 billion worth of Chinese imports if it responded to the initial 301 tariffs with duties on U.S. goods.

July 6 is seen by China analysts, former trade officials and outside advisers to the administration as <u>a new deadline</u> for the two economic superpowers to reach a negotiated settlement, but some have warned that an escalation of threats ahead of that date could torpedo any chance of success. – *Jack Caporal* (jcaporal@iwpnews.com)

Related News | Asia | China |

Michael Stumo
(b) (6)
Sent from phone



Re: China MFA Press Briefing for June 19, 2018

From

"Green, James B (Beijing)" <greenjb@state.gov>

"Koch-Weser, Iacob N. EOP/USTR" <iacob_n_koch-weser@ustr.eop.gov>, "Chen, Philip D.

EOP/USTR" <philip_d_chen@ustr.eop.gov>, "McCartin, Terry J. EOP/USTR"

<terry_mccartin@ustr.eop.gov>, "Yang, Aileen D. EOP/USTR" <aileen_d_yang@ustr.eop.gov>, "Schuman, Sara C (Beijing)" <schumansc@state.gov>, To:

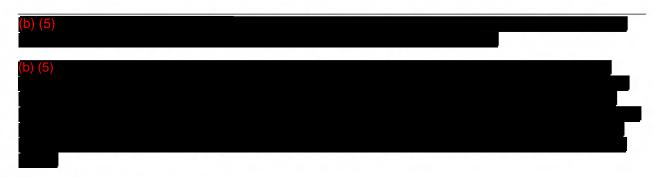
"Rigoli, Lisa A. EOP/USTR" lisa.a.rigoli@ustr.eop.gov>, "Busis, William L. EOP/USTR"

<william busis@ustr.eop.gov>, "Greer, Jamieson L. EOP/USTR"

<jamieson.l.greer@ustr.eop.gov>, "Gerrish, Jeffrey D. EOP/USTR"

<jeffrey.d.gerrish@ustr.eop.gov>

Date: Tue, 19 Jun 2018 09:45:45 -0400



Original Message

From: Koch-Weser, Iacob N. EOP/USTR Sent: Tuesday, June 19, 2018 8:35 PM

To: Green, James B (Beijing); Chen, Philip D. EOP/USTR; McCartin, Terry J. EOP/USTR; Yang, Aileen D. EOP/USTR; Schuman, Sara C (Beijing); Rigoli, Lisa A. EOP/USTR; Busis, William L. EOP/USTR; Greer,

Jamieson L. EOP/USTR; Gerrish, Jeffrey D. EOP/USTR Subject: RE: China MFA Press Briefing for June 19, 2018



----Original Message----

From: Green, James B (Beijing) < GreenJB@state.gov>

Sent: Tuesday, June 19, 2018 7:48 AM

To: Koch-Weser, Iacob N. EOP/USTR < Iacob N Koch-Weser@ustr.eop.gov>; Chen, Philip D. EOP/USTR <Philip D Chen@ustr.eop.gov>; McCartin, Terry J. EOP/USTR < Terry McCartin@USTR.EOP.GOV>; Yang, Aileen D. EOP/USTR <Aileen D. Yang@ustr.eop.gov>; Schuman, Sara C (Beijing) <SchumanSC@state.gov>; Rigoli, Lisa A. EOP/USTR <Lisa.A.Rigoli@ustr.eop.gov>; Busis, William L. EOP/USTR



<William_Busis@ustr.eop.gov>; Greer, Jamieson L. EOP/USTR <Jamieson.L.Greer@ustr.eop.gov>; Gerrish, Jeffrey D. EOP/USTR <Jeffrey.D.Gerrish@ustr.eop.gov> Subject: Fw: China MFA Press Briefing for June 19, 2018

(b) (5)

Secretary Mattis is due here next week and will have a meeting with Xi Jinping, likely with Poliburo member (former State Counselor) Yang Jiechi. (b) (5)

From: Jao, Richard C (Beijing) < JaoRC@state.gov>

Sent: Tuesday, June 19, 2018 6:18 PM To: Beijing MFA Press Briefing

Cc: Matthew.F.Pottinger (b) (6) ; Aikojean.Land (b) (6) ; Cartin, Josh M. EOP/NSC; Kanapathy, Ivan

J. EOP/NSC; merry.s.lin(b) (6)

Subject: China MFA Press Briefing for June 19, 2018

MFA Briefing

Spokesperson: Geng Shuang

Date: June 19, 2018

1. President Trump has threatened to impose tariffs on an additional \$200 billion of Chinese goods. Any response?

It must be pointed out that the US remarks confuse right and wrong, and are irresponsible accusations against China with the aim to cover up its own unilateral and protectionist moves. Recently, in disregard of the consensus the two sides have reached earlier, the US demonstrated flip-flops and ignited the trade war again. It has lost its credibility to the peoples around the world, and harmed the interests of the two peoples and enterprises in the two countries, as well as the interests of the people around the world. We don't want a trade war, yet we are not afraid of one. We will continue to take effective measures to firmly safeguard the interest of our country and our people, and resolutely uphold economic globalization as well as the multilateral trade regime. In the meantime, no matter how the external environment may change, we will stay on our course to put our people first, press ahead with our reform and opening up, enhance the high-quality economic development and build a modern economic system. We advise the US to remain rational and stop such words and moves that harm itself and others. This is the only viable way out.

2. Do you have information about Chairman Kim Jong Un's visit to Beijing today?

From June 19 to 20, Kim Jong Un, Chairman of the Workers' Party of Korea and State Affairs Commission of the DPRK, pays a visit to China. We hope this visit will be helpful to further deepening China-DPRK relations, strengthening strategic communication between the two sides on major issues and promoting regional peace and stability.

3. Also about Chairman Kim's visit, why isn't it a state visit? And apparently it is the first time the Chinese government put out information ahead of his leaving, why?

I hope you will read carefully the statement we released. According to the statement, Chairman Kim Jong Un pays a visit to China. We certainly have reason to release a statement like that. As for why China put out the statement now, what I can tell you is that when it comes to important visits, we always release information in a timely fashion. But the timing of the release will depend on the situation of the specific visit and reporting.

4. Afghanistan announced that it seeks extension of the ceasefire with the Taliban, while the Taliban is not willing to do so. Any comment?

We noted the relevant report. We appreciate the Afghan government's efforts in promoting its domestic peace process. We welcome it to extend the ceasefire and call on all parties involved in conflict in Afghanistan to achieve reconciliation and peace at home through political dialogue and negotiation. We firmly support the Afghan-led,



Afghan-owned reconciliation and peace process and stay committed to playing a constructive role alongside the international community to helping Afghanistan realize peace at an early date.

5. The US may create a new "space force." Would China see it as an escalation of an arms race in outer space?

Outer space is an asset of mankind. China always calls for the peaceful use of outer space and opposes the weaponization and arms race in outer space. Moreover, we oppose using outer space as a battle field. We hope all parties will work together to earnestly ensure the lasting peace and tranquility in outer space.

6. Is this visit requested by President Xi or Chairman Kim?

I understand you pay great attention to Chairman Kim Jong Un's visit. Please keep following our timely release of information, everything will be clear then.

7. Taiwan complains about Japanese airlines renaming "Taiwan" as "China Taiwan." Any comment?

There is only one China in the world. Hong Kong, Macau, and Taiwan have always been a part of China. It is an objective fact and basic common sense, as well as a universal consensus of the international community. All foreign companies in China should respect China's sovereignty and territorial integrity, abide by China's law, and respect the Chinese people's national feeling. It is a basic rule that all foreign companies are supposed to follow in China. Speaking of Taiwan administration's response, I advise it to stop overestimating its ability.

8. Any comment on Japan's Kansai earthquake?

We noted the earthquake in the Kansai Area, Japan, we mourn for the victims and express condolences to the victims' families and the injured.

9. Do you think the US-China trade war has official begun?

We hope the US side will remain rational and stop words and deeds that will harm itself as well as others.

10. The US and ROK will suspend their joint drill in August. Any comment?

That the US and ROK stopped their joint drill is a positive and constructive move. China welcomes it. We hope the relevant parties will continue to meet each other halfway, and make further endeavors in promoting denuclearization and a political settlement on the peninsular issue.

Official UNCLASSIFIED



Fwd: Second Half of Ross 232 Hearing

From: jamieson.l.greer@ustr.eop.gov

To: "Lighthizer, Robert E. EOP/USTR" < (b) (6) ustr.eop.gov>

Date: Wed, 20 Jun 2018 13:44:24 -0400

Sent from my iPhone

Begin forwarded message:

From: "Griffin, Payne P. EOP/USTR" < Garrison.P.Griffin@ustr.eop.gov>

Date: June 20, 2018 at 12:14:00 PM EDT

To: "Greer, Jamieson L. EOP/USTR" < Jamieson.L.Greer@ustr.eop.gov >, "Vaughn, Stephen P. EOP/USTR"

<Stephen.P.Vaughn@ustr.eop.gov>

Subject: Second Half of Ross 232 Hearing

There was no more discussion of NAFTA in the hearing. Only three notes here.

1. **Whitehouse** asked to see the internal Administration projections estimating foreign retaliation to the Section 301 investigation. Ross said he would have to ask USTR.

WHITEHOUSE: I WANT TO MAKE SURE MY REQUEST ALSO INCLUDES WHATEVER PLANNING OR PROJECTIONS WERE DONE FOR THE PRESIDENT'S ANNOUNCEMENT THAT HE WAS GOING TO JACK UP THE CHINA TARIFFS \$200 BILLION. SO SPECIFIC TO THAT PARTICULAR TRADE THREAT I'D LIKE TO SEE WHAT THE ECONOMIC PROJECTIONS ARE AS TO HOW THAT PLAYS THROUGH.

- 2. **Portman**: Asks about the national security justification for the Autos 232. Ross responds that part of the concern is the autos trade deficit and shows a chart.
- 3. Then finally, this exchange from Cardin.

Cardin: ...THE PROBLEM IS THAT THE WAY THIS ADMINISTRATION IS USING 232, IT'S UNPRECEDENTED AND NOT WHAT WAS ANTICIPATED AND THAT AUTHORITY BEING GIVEN BY CONGRESS. YOU ALSO HAVE AS YOU POINTED OUT THE FRAMEWORK FOR INTERNATIONAL TRADE ON THEIR WTO DOES NOT COVER A LOT OF THINGS WE LIKE TO SEE IT COVER. I HAVEN'T SEEN THE ADMINISTRATION WORK WITHIN THE WTO TO TRY TO MAKE THAT MORE FAVORABLE TOWARDS THE U.S. AS YOU POINT OUT WE HAVE OPEN MARKETS. LASTLY, IN OUR BILATERAL AND REGIONAL TRADE AGREEMENTS WE HAVE ELEVATED THE STANDARDS AND THEY HAVE WORKED TO HELP AMERICAN COMPANIES AND YOU DON'T SEEM TO BE SENSITIVE TO TRY TO DEAL WITH SOME OF THESE ISSUES ON THAT LEVEL. SO I SHARE SENATOR CANTWELL'S CONCERN THAT WE ARE GETTING INTO A TRADE WAR...



Fwd: Ross Bennett Exchange

From: "Vaughn, Stephen P. EOP/USTR" <stephen.p.vaughn@ustr.eop.gov>

To: "Lighthizer, Robert E. EOP/USTR" < (b) (6) @ustr.eop.gov>

Date: Wed, 20 Jun 2018 12:46:53 -0400

Begin forwarded message:

From: "Griffin, Payne P. EOP/USTR" < Garrison.P. Griffin@ustr.eop.gov>

Date: June 20, 2018 at 12:18:23 PM EDT

To: "Greer, Jamieson L. EOP/USTR" < Jamieson.L.Greer@ustr.eop.gov>, "Vaughn, Stephen P. EOP/USTR"

<<u>Stephen.P.Vaughn@ustr.eop.gov</u>> Subject: Ross Bennett Exchange

Bennett exchange on USDA efforts to protect U.S. Agriculture and the National security justification for including Canada in the steel 232 as noted in the first half email:

SEN. BENNETT: JUST TO FOLLOW UP ON CHAIRMAN GRASSLY'S QUESTION, WHAT DO YOU MEAN BY THAT (Referring to Ross's claim that USDA is working on a way to alleviate the effects of retaliation)? WHAT DO YOU MEAN? WHAT ARE YOU GOING TO MAKE AVAILABLE TO OUR FARMERS AND RANCHERS? WHAT DO YOU PROPOSE? WHEN THE SECRETARY -- WHEN AMBASSADOR LIGHTHIZER WAS SITTING THERE, HE SAID YOUR FARMERS AND RANCHERS HAVE MY SYMPATHY BECAUSE THEY WILL BE THE FIRST PEOPLE THAT WILL -- THAT WILL SUFFER RETRIBUTION IF THERE IS A TRADE WAR. I SAID THEY DON'T NEED YOUR SYMPATHY. WHAT DO YOU MEAN WHEN YOU SAY THE SECRETARY OF AGRICULTURE SHOULD DO EVERYTHING HE CAN DO WHO, BY THE WAY, I THINK OPPOSES THESE POLICIES.

ROSS: I AM NOT FAMILIAR WITH ALL THE TOOLS THE SECRETARY -

BENNETT: HOW CAN YOU NOT BE FAMILIAR WITH THEM? YOU HAVE COME HERE AND TESTIFIED THAT'S HOW YOU ARE GOING TO SOLVE THE ISSUE. IT IS LIKE DESCRIBING THE STEEL PRICES GOING STRAIGHT UP LIKE THIS AS ANTI-SOCIAL BEHAVIOR AND NOT A RESULT OF THE TARIFFS. THAT IS NOT TRUE.

ROSS: WELL, IT IS UP TO THE SECRETARY OF AGRICULTURE TO COME BECAUSE EACH OF THE SEGMENTS OF AGRICULTURE IS QUITE A DIFFERENT SEGMENT. I THINK HE HEARD VERY CLEARLY THE COMMENT FROM THE FARM STATE REPRESENTATIVES THAT THEY DON'T WANT GOVERNMENT AID. WELL, WE HAVE NO CONTROL OVER WHAT ANOTHER COUNTRY DOES IN RETALIATION. BUT WHAT THE PRESIDENT JUST DID ANNOUNCE TO TRY TO DISCOURAGE RETALIATION WHEN THE CHINESE ON THE 301 ANNOUNCED THAT THEY WOULD MATCH THE \$50 BILLION OF PRODUCT THAT WE HAVE PUT TARIFFS ON WITH THEIR \$50 BILLION, THE PRESIDENT PUT TARIFFS -- SAID HE WILL PUT TARIFFS ON \$200 BILLION. THAT'S A VERY SIGNIFICANT NUMBER.



BENNETT: IT SOUNDS LIKE THE BEGINNING OF A TRADE WAR TO ME, MR. SECRETARY. AND I THINK THE SENSITIVITY MAYBE ON CAPITOL HILL MIGHT BE THAT WE'RE LOOKING AT A TRILLION DOLLAR DEFICIT NEXT YEAR, THE LARGEST DEFICIT THAT WE'VE SEEN OUTSIDE OF A RECESSION OR OUTSIDE OF A WAR BECAUSE OF THIS ADMINISTRATION'S POLICIES. MY POINT IS I DON'T THINK YOU ARE GOING TO HAVE ANY BACKSTOP FOR OUR FARMERS OR RANCHERS AND TO BLINDLY PURSUE THESE POLICIES WITHOUT CONSIDERING WHAT HAPPENS TO THEM I THINK IS A HUGE MISTAKE. I'D LIKE TO ASK YOU FOLLOWING ON THE CHAIRMAN'S QUESTIONS TO YOU, MR. SECRETARY, WHAT IS IT ABOUT THE CANADIAN STEEL INDUSTRY THAT IS A NATIONAL SECURITY THREAT TO THE UNITED STATES?

ROSS: WELL, THE CANADIAN STEEL INDUSTRY IS NOT BEING ACCUSED OF DIRECTLY AND INDIVIDUALLY BEING A SECURITY THREAT.

BENNETT: WHAT IS OUR TRADE DEFICIT IN STEEL WITH CANADA?

ROSS: WE DON'T HAVE A TRADE DEFICIT....[Some more back and forth...then Ross explains.] WE HAVE A SURPLUS IN DOLLARS. WE DO NOT HAVE A SURPLUS IN PHYSICAL VALUE.

BENNETT: MR. SECRETARY, WHAT IS THE NATIONAL SECURITY THREAT OF THE TRADE SURPLUS THAT THE UNITED STATES HAS WITH CANADA IN STEEL?

ROSS: THE NATIONAL SECURITY IMPLICATION IS IN THE AGGREGATE ALL OF THE STEEL.

BENNETT: BUT WHY WOULD YOU PUT A TARIFF ON -- WHAT IS THE NATIONAL SECURITY BASIS FOR THE TARIFF THAT YOU HAVE PLACED ON CANADA? I UNDERSTAND WHAT WE'RE SUPPOSED TO BE DOING WITH CHINA. I DON'T UNDERSTAND WHY THE PRESIDENT IS NOT FOCUSSED ON IT. I DON'T UNDERSTAND WHY HE'S EXCLUDEING ZTE. I DON'T UNDERSTAND IT. WHAT IS THE NATIONAL SECURITY RATIONAL FOR PUTTING A TARIFF ON THE CANADIAN STEEL INDUSTRY, WITH WHOM WE HAVE A TRADE SURPLUS?

ROSS: I WILL TRY TO DO SO. THE REASON THE TARIFF IS BEING PUT ON ESSENTIALLY ALL COUNTRIES, MOST OF WHOM ARE FRIENDLY COUNTRIES AND HAVE GOOD RELATIONS WITH US AND SOME OTHERS OF WHICH ALSO HAVE SURPLUSES WITH US, THE REASON IT HAS TO BE A GLOBAL SOLUTION IS, IF YOU JUST LOOKED AT THE RAW DATA, YOU WOULDN'T THINK CHINA IS A PROBLEM FOR THE U.S. BECAUSE WHAT THEY'VE BEEN DOING IS MASKING THEIR EXPORTS TO US BY SHIPPING THEM THROUGH OTHER COUNTRIES. SO THE RAW DATA, IF YOU JUST BELIEVE THE RAW NUMBERS, CHINA'S SHIPPING LESS TO US THAN THEY DID FIVE YEARS AGO. THE REALITY IS QUITE TO THE CONTRARY. THEY ARE DISRUPTING GLOBAL STEEL MARKETS. THEY ARE CAUSING BOTH DIRECT AND INDIRECT DAMAGE TO IT. SO WE HAVE TO DO IT ON A GLOBAL BASIS. THE GOOD NEWS IS THAT AS A DIRECT RESULT OF THE 232s, SUDDENLY EUROPE IS ENACTING SAFEGUARDS AGAINST STEEL DUMPING INTO EUROPE. THEY DIDN'T DO MUCH BEFORE. CANADA IS TAKING ACTION. JAPAN, FOR THE FIRST TIME, HAS CREATED AN ENFORCEMENT BODY WITHIN METE TO DEAL WITH THE PROBLEM. THE ONLY WAY WE'RE GOING TO SOLVE THE GLOBAL STEEL OVERPRODUCTION AND OVERCAPACITY IS BY GETTING ALL THE OTHER COUNTRIES TO PLAY BALL IT WAS. AND WHILE THEY'RE COMPLAINING BIT EARLY ABOUT THE TARIFFS, THE FACT IS THEY'RE STARTING TO TAKE THE KIND OF ACTION, WHICH IF THEY HAD TAKEN SOONER, WOULD HAVE PREVENTED THIS CRISIS.



Fwd: First Half of Ross 232 Hearing

From: "Vaughn, Stephen P. EOP/USTR" < stephen.p.vaughn@ustr.eop.gov>

To: "Lighthizer, Robert E. EOP/USTR" < (b) (6) @ustr.eop.gov>

Date: Wed, 20 Jun 2018 11:24:37 -0400

Begin forwarded message:

From: "Griffin, Payne P. EOP/USTR" < Garrison.P. Griffin@ustr.eop.gov>

Date: June 20, 2018 at 10:53:13 AM EDT

To: "Greer, Jamieson L. EOP/USTR" < <u>Jamieson.L.Greer@ustr.eop.gov</u>>, "Vaughn, Stephen P. EOP/USTR"

<<u>Stephen.P.Vaughn@ustr.eop.gov</u>>
Subject: First Half of Ross 232 Hearing

Here's the first half of the hearing. (b) (5)

- 1. During **Hatch's** opening question, Ross announces that DOC will be immediately granting 232 petitions that were (1) Correctly filed and (2) received no objections. However, there will be no exclusions granted to countries that are subject to negotiated quotas because the President's proclamation does not authorize that action.
- 2. The first group of questions from **Hatch**, **Wyden**, and **Grassley** pertained to the Autos 232 and the below WAPO article on DOC's preparedness for the exclusion process. Grassley then notes that he has a message for the Admin to watch out on AG.

GRASSLEY on Sect 301 "MY LAST POINT IS SOMETHING YOU DON'T DIRECTLY DEAL WITH, BUT I WANT TO MAKE THIS POINT ANYWAY. IT IS NOT A QUESTION TO YOU. IT IS JUST A MESSAGE. I'D LIKE TO HAVE THE ADMINISTRATION GET. I REALIZE THAT SECTION 301, INTELLECTUAL PROPERTY INVESTIGATION IS NOT IN YOUR JURISDICTION, BUT SINCE YOU ARE THE PERSON HERE REPRESENTING THE ADMINISTRATION, I CAN CONVEY THIS POINT TO YOU. THE IMPACT OF THE PROPOSED TARIFF IS GETTING VERY REAL. WE WATCHED THE SOYBEAN MARKET START TO COLLAPSE FOR A MONTH. UPPER \$9 RANGE TO A MID-8 RANGE. YESTERDAY DOWN 40 CENTS, AS AN EXAMPLE LOSING 1\$1.25 ON NATIONAL AVERAGE SOYBEANS EQUATES TO LOSING \$61.25 AN ACRE BECAUSE OF THESE MOVEMENTS. EVEN IF FARMERS DON'T HAVE TO SELL THEIR PHYSICAL CROP RIGHT NOW, THE SUDDEN VOLATILITY IN THE MARKET CAN INCREASE THE COST OF HEDGING AND IN SOME CASES REQUIRE MARGIN CALLS FOR THOSE WHO ARE LONG IN THE MARKET. I WOULD REQUEST YOU AND OTHERS IN THE ADMINISTRATION AND PARTICULARLY PETER NAVARRO TO BE AWARE OF THE PROS AND CONS OF THE



STATEMENTS TO THE PRESS ON THESE TRADE ISSUES AND BE VERY DIPLOMATIC WITH COMMENTS. THANK YOU VERY MUCH, MR. CHAIRMAN.

- 3. Then **Michael Bennett** jumped out of turn and had a 5 minute exchange with Ross, which Hatch did not gavel down. There was a lot in that exchange that is important to get in full, so I'm sending the transcript separately.
- 4. **Thune** asks what is the Admin's overall strategy to resolve the China issue before the tariffs drag growth.

Ross says "THE BASIC STRATEGY IS TO TRY TO BRING ENOUGH PRESSURE ON PARTIES WHO ARE NOT BEHAVING APPROPRIATELY SO THAT THEY CONCLUDE THAT THE ALTERNATIVE OF CONTINUING THEIR PRESENT BEHAVIOR IS GOING TO BE MORE PAINFUL TO THEM THAN SEEDING TO THE REQUESTS WE'VE MADE THAT THEY HONOR INTELLECTUAL PROPERTY. AS TO THE IMPORTANCE OF INTELLECTUAL PROPERTY, THE PRESIDENT IS EXTREMELY COMMITTED, AND SO AM I... SO THE ONLY METHOD WE COULD THINK OF, WE TRIED NEGOTIATION. I, MYSELF, HAVE BEEN FOUR OR FIVE TIMES IN CHINA NEGOTIATING OVER THE LAST YEAR OR SO. AND THE PRESIDENT HAS CONCLUDED THAT WE NEED MORE THAN JUST NEGOTIATION. THERE HAVE BEEN YEARS OF TALK WITH CHINA ABOUT INTELLECTUAL PROPERTY. THE PRESIDENT FEELS, AND I AGREE, THAT NOW IS THE TIME FOR ACTION. AND UNLESS WE MAKE IT MORE PAINFUL FOR THEM TO CONTINUE THOSE PRACTICES, THAN TO DO OTHERWISE, UNLESS WE PUT THAT KIND OF PRESSURE ON THEM, IT IS UNLIKELY WE WILL SUCCEED.

On 301, Ross says, "THERE ARE ALREADY SOME SIGNS THAT WE MAY ULTUMATELY GET A RESOLUTION." –Ross does not elaborate on this.

5. Toomey: Toomey goes through his usual opposition to tariffs. During the exchange, Ross says (For the first time publicly I think) that the 232 tariffs on Canada and Mexico will come off if there is a NAFTA deal. He expects timing to be after Mexican election.

ROSS: OVERALL. UNFORTUNATELY, THOSE TALKS WERE NOT ABLE TO COME TO A CONCLUSION. AMBASSADOR LIGHTHIZER HAS INDICATED PUBLICALLY THAT HE'S OPTIMISTIC THAT AFTER THE MEXICAN ELECTION, WHICH, I BELIEVE, THE 1st OFJULY OF THIS YEAR, THAT THOSE TALKS COULD PICK UP STEAM AGAIN. OUR OBJECTIVE IS TO HAVE A REVITALIZED NAFTA, A NAFTA THAT HELPS AMERICA. AND AS PART OF THAT, THE 232s WOULD LOGICALLY GO AWAY. BOTH AS IT RELATES TO CANADA AND AS TO MEXICO.

Toomey responds by criticizing both the NAFTA objectives and 232. Pasted in full:

TOOMEY: SO I'M ABOUT TO RUN OUT OF TIME. SO LET ME JUST RESPOND TO THIS. FIRST OF ALL, I'M VERY DEEPLY CONCERNED THAT THE VERY PROVISIONS THAT TRADE REPRESENTATIVE IS SEEKING WOULD MAKE NAFTA A MUCH LESSER AGREEMENT. IT WOULD WEAKEN NAFTA. ONE IS TO HAVE A SUNSET PROVISION WHICH BASICALLY CAUSES NAFTA TO EXPIRE IN THAT KIND OF CONTEXT. I THINK WE CAN EXPECT TO SEE A DEPARTURE OF INVESTMENT FROM THE UNITED STATES, WHICH WOULD BE



HARMFUL. I WISH WE WOULD STOP INVOKING NATIONAL SECURITY BECAUSE THAT'S NOT WHAT THIS IS ABOUT. THIS IS ABOUT AN ECONOMIC POLICY OF MANAGING TRADE. WHEN SOUTH KOREA IS EXEMPTED FROM 232 SECURITIES BECAUSE THEY AGREED TO LIFT QUOTA ON AMERICAN CAR EXPORTS, WHICH WE WEREN'T HITTING ANYWAY AND THEY AGREED WE WOULD PUNISH OUR OWN CONSUMERS OF SOUTH KOREAN LIGHT TRUCKS AND THAT GOT THEM EXEMPTED, THAT HAS NOTHING TO DO WITH NATIONAL SECURITY. MY TIME IS OUT, BUT I WANT TO URGE THE COMMERCE SECRETARY, PLEASE DO NOT IMPOSE THESE TAXES ON MY CONSUMERS WITH RESPECT TO AUTOMOBILES. AND SINCE WE ARE WITNESSING WHAT I THINK IS A WHOLLY INAPPROPRIATE USE OF THE 232 TARIFFS, I WOULD URGE MY COLLEAGUES TO SUPPORT THE LEGISLATION THAT SENATOR CORKER AND I HAVE, WHICH WOULD RESTORE TO CONGRESS THE AUTHORITY TO MAKE THE FINAL DECISIONS ABOUT THE IMPOSITION OF THOSE TARIFFS.

Flood of US companies plead for relief from Trump tariffs

Dept. of Commerce official: "It's going to be so unbelievably random, and some companies are going to get screwed."

HAMILTON, ON - JUNE 04: June 19, 2018 at 5:26 pm By DAVID J. LYNCH | The Washington Post

WASHINGTON — President Donald Trump is ready to escalate his trade war with China by imposing tariffs on almost all Chinese goods shipped to the United States. But his administration is still struggling to manage a pair of smaller trade actions announced more than three months ago, casting doubt on the president's ability to wage a broader conflict.

At the Commerce Department, officials have been overwhelmed with pleas from U.S. companies for waivers from levies on foreign steel and aluminum that the president introduced in March.

Only last week did the department begin training the roughly 30 evaluators who must review 21,000 petitions from U.S. companies that want to continue importing the metals on a duty-free basis, said one senior Commerce Department official, who spoke on the condition of anonymity because the official was not authorized to speak to the media.

The department's predicament highlights the disconnect between the president's expectation of easy victory in any trade war and what is happening in the real economy, where production at hundreds of factories could be disrupted by Washington's administrative sluggishness.

Commerce's struggles come as Trump threatened Monday to impose tariffs on virtually all Chinese goods and continues to actively battle allies Canada, Mexico and the European Union over trade.

On Wall Street on Tuesday, rattled investors drove the Dow Jones industrial average down nearly 300 points, leaving the investing benchmark in the red for 2018.



Business groups including the U.S. Chamber of Commerce lined up to criticize the president's threat to hammer Chinese imports with up to \$450 billion in tariffs if Beijing doesn't agree to widespread changes in its state-led economy. Americans by a margin of 59 percent to 10 percent said they expect Trump's trade hostilities to leave them personally worse off, according to a new CBS News poll.

Amid a storm of unease, the White House remained unruffled. Peter Navarro, one of the president's closest trade advisers, gave reporters an on-the-record defense of Trump's high-risk tactics, a sign that for now the administration's trade hard-liners are in the ascendant.

"Our view is that these actions are necessary to defend this country and that they are ultimately bullish for corporate America, for the working men and women of America, and for the global trading system," said Navarro, who heads the White House Office of Trade and Manufacturing Policy.

Commerce Secretary Wilbur Ross may face questions about waiver request handling Wednesday when he appears before the Senate Finance Committee.

Swamped by a flood of applications — more than four times the number initially expected — Commerce officials have cobbled together a team of employees and outside contractors with varying levels of technical expertise to review the waiver requests, according to a senior Commerce Department official.

The evaluators — including trainees with limited experience in complex steel and aluminum markets — have found the subject matter confusing. Some industry executives and department officials anticipate that the overworked reviewers probably will approve applications that no domestic metals producer contests and reject the roughly one-third that draw objections — whatever their technical merits.

"It's going to be so unbelievably random, and some companies are going to get screwed," the senior Commerce Department official said. "These people are making multibillion-dollar, unbelievably uninformed decisions."

Only metal products that are unavailable from U.S. producers are eligible for the waivers.

The first decisions will be released as soon as this week, said James Rockas, the Commerce Department's deputy director of public affairs.

Officials have promised to issue decisions within 90 days, but that doesn't include the month it can take to acknowledge applications on a government website.

The staffing issues cap a cumbersome process that is adding red tape to U.S. manufacturing even as the Trump administration boasts of its deregulation efforts.

The process also will increase manufacturers' costs. If their waiver bids are rejected, companies will either buy from more expensive U.S. mills or pay the import tax to keep using their current material.

Following a three-hour crash course, evaluators are assigned to review five-page Excel spreadsheet applications from U.S. manufacturers containing detailed descriptions of steel and aluminum products



that applicants say cannot be acquired from domestic producers. At issue are metals used to produce auto parts, oil and gas pipelines, factory tooling and other items used through the economy.

The department declined to specify the number of individuals assigned to review exclusion requests, calling it a "Commerce-wide effort."

Congress has approved shifting \$1 million from other programs to fund this year's reviews, and officials are confident the evaluators have sufficient technical expertise, Rockas said.

The department also plans to hire an unknown number of additional contractors to help, but it will take time to bring them on board.

The chaotic exclusions process, and the regulatory burden it imposes on U.S. manufacturers, is the consequence of the president's hasty announcement of the steel and aluminum tariffs. Trump initially planned to announce the tariffs March 1, canceled a ceremony that morning after opponents mobilized, then announced his plans after a meeting later that day with industry leaders.

When the plans were finalized a week later, the president said that U.S. dependence on imported metals — even from close allies — threatened national security and justified tariffs of 25 percent on steel and 10 percent on aluminum.

The exclusions process was established only after an additional 11 days had elapsed. In a March 19 Federal Register notice, Commerce said companies would be allowed to continue importing steel and aluminum products duty-free only if they could not be obtained from domestic producers.

The European Union, Canada and Mexico were temporarily exempted from the levies, but the president on June 1 added them to the target list, ensuring thousands of additional waiver requests. Some Commerce Department officials expect the number of applications to reach 40,000 — increasing the likelihood of manufacturing disruptions.

Many companies will effectively be encouraged by the government to use higher-priced U.S. metals. Boltex Manufacturing of Houston, which makes parts for the auto and petrochemical industries, wants permission to keep importing specialized steel from Italy.

"We love to buy American steel. Sometimes, it's not feasible," said Frank Bernobich, Boltex president.

Two U.S. steelmakers — Nucor and TimkenSteel — have objected, insisting that they can produce what he needs.

"Price is not a legitimate basis for granting a product exclusion and should not trump national security considerations," Nucor said in its objection.

Bernobich said in an interview that he has tried to place orders with Nucor but that the steelmaker sometimes takes weeks to return his calls. Nucor said in its filing that sales talks have run aground over price.



If the Commerce Department agrees that Nucor or Timken can make what Boltex needs, it will reject Bernobich's exclusion request, and he will face higher costs — whether paying more for a U.S. alternative or paying the 25 percent tariff on his preferred Italian steel.

Industry complaints have reached Capitol Hill. Rep. Jackie Walorski, R-Ind., and 38 colleagues last month wrote Ross seeking several changes in the program's administration. Walorski, who represents a manufacturing-heavy district in a state Trump carried with 57 percent of the vote, said that she backs the president's tariffs. But she was critical of Ross, who met with House Republicans on Thursday, for failing to address obvious shortcomings in the exclusion program.

"The Commerce Department could make this much more efficient and streamlined," Walorski said in an interview. "We're still going back and forth with the secretary. ... He's very reluctant to really see there is a problem."

Industry representatives blame some of the backlog on the way that Commerce designed the exclusions process. In 2002, when President George W. Bush imposed tariffs on steel in response to a surge of imported metals, the administration released a list of product exclusions on the same day it announced the measures.

This time, companies are required to file separate exclusion applications for each steel product they import, even if they differ only in size. Waivers apply only to the company that requested them, so a second company using an identical product must file a separate request. And the exclusions expire in one year, meaning that most companies will need to repeat the process.

One company has filed 1,168 exclusion requests, with the average company having filed more than three dozen, according to figures compiled by Walorski's office.

The department has moved slowly to address the mounting backlog. "Not only are they understaffed, there's no direction to move anything," said one industry executive, who spoke on the condition of anonymity to avoid alienating administration officials. "We're not getting a lot of positive vibes."

While they wait for decisions, companies must pay Trump's import tax. Exclusions are retroactive to the date Commerce posts them online, so companies eventually expect to have their tariff payments refunded.

"We've been concerned about the process from the outset," said Ann Wilson, senior vice president for the Motor and Equipment Manufacturers Association. "It's an enormous burden for small companies."

Zapp Precision Wire of Summerville, South Carolina, asked the government on April 3 for permission to continue importing German steel that it exports to Mexico, where it is used to make windshield wiper blades and a product used in medical implants. The tariffs could cost the company tens of millions of dollars annually.

"We're befuddled by the process," said Bill Brebrick, U.S. sales manager for Zapp.

The company said in its application that no U.S. mill produces the specific type of steel it needs: "AISI C1065 high carbon flat wire that is zinc coated and painted. Chemical Properties: C 0.60-0.65 percent,



Minn. 0.50-0.80 percent, Si 0.1-0.3 percent, P 0.03 percent maximum, S 0.03 percent maximum. Zinc analysis of >99.5 percent, the surface must have a black dull (matte) surface, near to the color of rubber. The surface must be free of injurious defects. Edges must be rounded and obtained by rolling. No burrs are permitted. Tensile strength of 1500-2300 N/mm2, yield strength must be greater than 90 percent Rm. The coated wire has a 7.17-7.27 mm width and 1.03-1.09 mm thickness."

A Commerce Department evaluator will have to determine whether the company is correct.

"Why would any government agency have that kind of specific expertise? It's not plausible," said Leibowitz, the attorney, who represents 10 companies seeking exclusions. "They're going to have to make some rough and crude decisions."



FW: [EXTERNAL] Fwd: FW: SENATE FINANCE COMMITTEE **HEARING ON CURRENT AND PROPOSED TARIFF ACTIONS** ADMINISTERED BY THE DEPARTMENT OF COMMERCE

"Marcus, Pamela A. EOP/USTR" <pamela.a.marcus@ustr.eop.gov>, "Turner, Amy C. To: EOP/USTR" <amy.c.turner@ustr.eop.gov>

Date

Thu, 21 Jun 2018 11:25:46 -0400

SENATE FINANCE COMMITTEE HEARING ON CURRENT AND PROPOSED TARIFF ACTIONS ADMINISTERED BY THE DEPARTMENT OF COMMERCE

SENATE FINANCE COMMITTEE HEARING ON CURRENT AND PROPOSED TARIFF ACTIONS ADMINISTERED BY THE DEPARTMENT OF COMMERCE

JUNE 20, 2018

SPEAKERS:

- SEN. ORRIN G. HATCH, R-UTAH, CHAIRMAN
- SEN. CHARLES E. GRASSLEY, R-IOWA
- SEN. MICHAEL D. CRAPO, R-IDAHO
- SEN. PAT ROBERTS, R-KAN.
- SEN. MICHAEL B. ENZI, R-WYO.
- SEN. JOHN CORNYN, R-TEXAS
- SEN. JOHN THUNE, R-S.D.
- SEN. RICHARD M. BURR, R-N.C.
- SEN. JOHNNY ISAKSON, R-GA.
- SEN. ROB PORTMAN, R-OHIO
- SEN. PATRICK J. TOOMEY, R-PA.
- SEN. DEAN HELLER, R-NEV.
- SEN. TIM SCOTT, R-S.C.
- SEN. BILL CASSIDY, R-LA.



- SEN. RON WYDEN, D-ORE., RANKING MEMBER
- SEN. DEBBIE STABENOW, D-MICH.
- SEN. MARIA CANTWELL, D-WASH.
- SEN. BILL NELSON, D-FLA.
- SEN. ROBERT MENENDEZ, D-N.J.
- SEN. THOMAS R. CARPER, D-DEL.
- SEN. BENJAMIN L. CARDIN, D-MD.
- SEN. SHERROD BROWN, D-OHIO
- SEN. MICHAEL BENNET, D-COLO.
- SEN. BOB CASEY, D-PA.
- SEN. MARK WARNER, D-VA.
- SEN. CLAIRE MCCASKILL, D-MO.
- SEN. SHELDON WHITEHOUSE, D-R.I.

WITNESSES:

• COMMERCE SECRETARY WILBUR ROSS TESTIFIES

HATCH: The committee will come to order.

I want to say good morning and welcome to everybody who's here today at this morning's hearing on current and proposed tariff actions administered by the Department of Commerce.

Naturally, I'd like to welcome Secretary Ross in particular. I want to thank you, Mr. Secretary, for joining us.

I intend to focus this morning on three investigations self-initiated by the Department of Commerce under Section 232 of the Trade Expansion Act of 1980 -- 19 -- 1962.

It should come as no surprise that many of us on the committee have concerns about the process, effects and strategy behind these investigations, and the resulting actions. That includes the serious problems that Senator Wyden and I raised in April about the product exclusion process, a process that still needs significant improvement.



In February, the Department of Commerce had completed two of its Section 232 investigations, one on imports of steel and the other on aluminum products. As a result of those reports, the United States is currently imposing tariffs of 25 percent on steel products and assessing tariffs of 10 percent on aluminum products. Combined, these tariffs directly Affect almost \$50 billion worth of goods, while also affecting many billions of dollars more in downstream goods.

American manufacturers are already suffering the consequences of increased costs and decreased supply of steel and aluminum inputs. Take, for example, Bish's Steel Fabrication. Bish's makes custom industrial equipment in my hometown, Salt Lake City, Utah, and sells to customers in the United States and around the globe. Bish's has been in business since 1945, but because of the Section 232 tariffs, they are worried about their future.

Steel prices are going up, not just for foreign steel subject to tariffs, but also U.S. steel. As a consequence, Bish's has lost its competitive edge against foreign manufacturers, and the company tells me that contracts for future work have all but dried up.

And Jack's Ornamental Iron, another Salt Lake City manufacturer, saw its steel costs jump 20 percent in less than two weeks since the steel tariffs were announced.

These companies are small, Mr. Secretary, but they are important. They're important sources of jobs in our communities, and they are particularly vulnerable to the consequences of the steel and aluminum tariffs.

On the other end of the scale, multibillion-dollar investments for new manufacturing plants that employ thousands of workers are also being put at risk. As you are aware, Mr. Secretary, the Shell Pennsylvania Chemical Project is one of the largest economic development projects in the United States. I grew up in Pittsburgh, and I know how important this development is for Western Pennsylvania.

HATCH: The project is expected to employ 6,000 construction workers and 600 full-time employees once the facilities are operational. Unfortunately, this project is being slowed down and these new jobs are being delayed, because essential parts are being stopped by Customs as a result of the steel quotas.

Now, these parts are individually customized under contracts concluded years ago that are suddenly being stopped at the Port of Long Beach because they contain steel from Brazil. I know delaying these construction and manufacturing jobs and even putting some of these jobs at risk was not the intent of the actions on steel, but it is the inevitable result.

The negative consequences of the steel and aluminum tariffs are not isolated to manufacturing. Rather, the effects have spread throughout the economy. Take, for example, American farmers who are bearing the brunt of retaliation for these actions.



As many of us know, Mexico is the largest export market for American pork, including pig farmers in Utah. Recently, Mexico announced that it will impose tariffs of 20 percent on U.S. pork in retaliation for U.S. steel and aluminum tariffs. China, our second largest overseas market for American pork, is increasing tariffs by 25 percent.

I just don't see how the damage posed on all of these sectors could possibly advance our national security.

The steel and aluminum tariffs distract from the real trade issue that must be addressed. The president has repeatedly stated that Chinese mercantilist policies harm U.S. companies and the U.S. economy, something with which I fully agree.

However, these steel and aluminum tariffs utterly fail to address Chinese overproduction. Of the steel and aluminum products targeted, only about 5 percent are from China. Let me repeat that: Only 5 percent are from China. In reality, these actions target our allies, particularly Canada and the European Union, with whom our trade in steel and aluminum products far exceeds our trade with China.

This is not just my opinion. The U.S. Department of Defense has stated that it is concerned -- it is, quote, "concerned about the negative impact on our key allies," unquote, of the steel and aluminum actions recommended by the Department of Commerce, particularly global tariffs and the use of quotas.

The lessons of the steel and aluminum tariffs are clear: These tariffs do not support U.S. national security; instead, they harm American manufacturers, damage our economy, hurt American consumers, and disrupt our relationship with our long-term allies, while driving China -- while giving China a free pass.

That's why I was stunned to hear on May 23rd that the Department of Commerce has initiated another investigation under Section 232, this time into the national security obligations of imports of automobiles and auto parts.

This investigation covers more than \$200 billion worth of trade, four times larger than that under the steel and aluminum investigations combined.

The car isn't a can of soup. It's not a can of soup, Mr. Secretary. For most American families, their car is the second biggest purchase they make, and many require a car to get to their jobs. It is a significant financial commitment for most families often paid for with debt, and I'm shocked that anyone would consider making it more expensive.

The average price of an imported car is \$23,200. If the Department of Commerce were to recommend a 25 percent tariff on cars, it would be recommending raising the cost of an average imported car for an American family by \$5,800.



HATCH: To put that in perspective, the median household income in the United States is just over \$59,000. That means that roughly 10 percent of the median household income could be erased purely by the additional cost of a single car.

That's why I call tariffs the tax on American families. And the Tax Foundation agrees. It estimates that auto tariffs could result in a \$73 billion tax increase on American consumers and businesses, erasing many of the benefits of tax reform passed earlier this Congress.

Not only would these tariffs cost American families, but it would also put American jobs at risk. The Peterson Institute calculates that auto tariffs could cause 195,000 workers to lose their jobs. Now, that's nearly 200,000 people out of work, and that's before other countries retaliate against American auto manufacturers, which supports U.S. jobs by exporting \$65 billion worth of autos per year.

And, once again, though supposedly pursued for national security reasons, tariffs on cars and trucks target our closest allies, namely Europe, Canada, Mexico, Japan and South Korea, while allowing China to continue its predatory trade policies undeterred.

Mr. Secretary, as you consider these tariffs, know that you are taxing American families. You are putting American jobs at risk and you are destroying markets, both foreign and domestic, for American businesses of all types, sorts, and sizes. I hope you will consider that carefully as your department conducts its investigation into the national security threat from imported automobiles and auto parts.

With that, Senator Wyden, please go ahead with your (inaudible).

WYDEN: Thank -- thank you very much, Mr. Chairman. And thank you for holding this hearing.

If you follow the news on trade, you know that Secretary Ross is a key Trump official, negotiating with China, determining who gets tariff exemptions and potentially reshaping the American automobile industry for decades to come.

In the last few days, news reports about Secretary Ross uncovered a short sale of stock in a Kremlin-tied shipping firm. New developments show that, while Secretary Ross was negotiating on trade with China, he may have maintained financial ties with firms connected to the Chinese government. A fund controlled by the Ross family reportedly owns a major international manufacturer of auto parts.

This, unfortunately, is not a one-off story. Virtually every day in the news, you get whacked over the head with another report about Trump officials violating ethics rules or coming in to questionable windfalls.

You don't need a thick government rulebook to recognize flagrant conflicts of interest when they're brought into public view. And, when it comes to trade, Americans have a right to know



it's their best interest Trump administration officials are looking out for at the negotiating table. The stories that we have seen in the last few days call that into question.

WYDEN: Now, here's why these issues are so important. I'm on board with several of the administration's top trade priorities: first, tougher enforcement of our trade laws -- long overdue, colleagues; second, cracking down on China ripping off American technology and jobs, also long overdue; updating NAFTA -- you know, NAFTA was written decades ago. Clearly, it needs an update.

Those are challenges that demand action, but taking action gets harder when you are surrounded by the specter of conflict of interest. That undermines the credibility of our negotiators. It certainly makes it harder to work in a bipartisan way in the Congress, and it makes it less likely the American people will accept the end results.

It is also frustrating to watch as the administration's trade moves seem more like knee-jerk impulses than any kind of carefully thought-out strategy. His most obvious accomplishment on trade so far is sowing a lot of chaos that has united allies in China against us -- that is, unless you rank that behind the rescue of ZTE, an action that, in my view, has compromised, has sold out American security and got nothing in return.

Chaos has consequences. And you don't have to take it from me. Tariffs on steel and aluminum imports are in place, but the process of determining what imports will be excluded is in a state of disarray. Businesses from sea to shining sea who are filing for these exclusions are waiting for the Commerce Department to do its job.

So I've heard from potato farmers in my home state of Oregon who export nearly a third of what they grow and now face tariffs in key markets like Mexico.

I've heard from Pacific Northwest cherry growers who have got nearly 1.5 million boxes of cherries ready to ship to China. They're worried those cherries are going to end up stuck on the dock or rotting in a warehouse due to China's retaliation.

Small brewers find their costs skyrocketing when they need new can lines and holding tanks, which, of course, are largely made of steel and aluminum.

Now, a strong, well-planned strategy on trade would bring the full economic might of the United States and our allies to bear on China's trade cheating. That would give confidence in American farmers, manufactures and service firms, rather than creating yet more bedlam and chaos.

And I believe there would be bipartisan interest here in the Senate in fresh policies that would strengthen trade enforcement and protect American workers. So today has to be a beginning of the end of the chaos.

I hope that we will see more from the administration in the days ahead. I think it is priority business get a clear sense of what is going to be done to resolve these questions we hear about



from our constituents every single day. And those will be the questions I'll pose to Secretary Ross. And I appreciate him being here and look forward to questions.

HATCH: Thank you, Senator.

I would like to extent a warm welcome to Secretary Wilbur Ross for coming today. Secretary Ross was sworn in as the 39th secretary of commerce on February 28th, 2017 and has been the principal voice business in the Trump administration. Secretary Ross, it's a pleasure to have you here today. And please proceed with your opening statement.

ROSS: Chairman Hatch, Ranking Member Wyden and members of the committee, thank you for inviting me here today to discuss the actions we have taken to assure the continued viability of our important steel and aluminum industries.

The reports I submitted to the president this past January, pursuant to Section 232 of the Trade Expansion Act of 1962, found that steel and aluminum imports threatened to impair our national security.

The president determined that tariffs are the necessary means to address these threats. As a result, the president signed proclamations on March 8th imposing a 25 percent tariff on steel imports and a 10 percent tariff on aluminum imports.

The tariff actions taken by the president are necessary to revive America's essential steel and aluminum industries. They have been harmed by imports to the point that allowing imports to continue unchecked threatens to impair our national security. The tariffs on steel and aluminum are anticipated to reduce imports to levels needed for these industries to achieve long-term viability.

In the short term, since the imposition of Section 232 tariffs, industry already has started taking actions to restart idle facilities. Idled steel and aluminum capacity is being restarted as we sit here in Illinois, Ohio, South Carolina, Missouri and Kentucky. Several other companies have also announced new investments in these industries in Oklahoma, Florida, Missouri and Texas.

In addition, the president authorized the establishment of a mechanism for U.S. parties to apply for exclusions from the tariff for specific products based on demand that is unmet by domestic production or for specific national security considerations.

Today, we are announcing our first determinations on 98 exclusion requests for steel products, granting 42 and denying 56. Commerce has received more than 20,000 steel and aluminum exclusion requests, including resubmissions, and has posted more than 9,200 for public review and comment.

Commerce also has received more than 2,300 objections to exclusion requests. Review of exclusion requests and related objections is being conducted, as it must be, on a case-by-case basis. But we have made some major progress in reforming and improving the process and will describe a couple now.



First of all, we'll be accelerating the processing of exclusion requests by immediately granting those which are correctly submitted and for which no objections have been received during the public comment period. Commerce is making an unprecedented effort to process the requests expeditiously.

ROSS: We also are developing a list of downstream products that have been hurt by imports since the tariffs have been imposed, and we are incorporating as many of these as are logical to the list we are recommending for inclusion in the 301 tariff listing of \$200 billion that will be released shortly. We've already found some 50 products that will be included in that list.

The public comment period on the interim final rule for these decisions ended on May 18th, and we're reviewing the comments received to assess whether any further revisions to the process are necessary.

Finally, on May 23rd, after a conversation with the president, I initiated a proceeding under Section 232 to determine whether imports of automobiles and automotive parts into the United States threatened to impair the national security.

This investigation will examine the United States' production capabilities and the technologies needed for projected national defense requirements, as well as the adverse effects of foreign competition on our internal economy.

In conclusion, this administration is standing up for American families, American businesses and American workers by taking action to reduce imports that threaten our national security.

I thank you and I look forward to answering questions from the members of the committee.

HATCH: Well, thank you, Mr. Secretary.

Let me just start off with -- the Section 232 statute requires that the secretary of commerce consider the domestic production that is needed for projected national defense requirements.

When you decided to self-initiate a Section 232 investigation into automobiles and auto parts, what were the projected national defense requirements for these products that you had identified?

ROSS: Well, as you know, the investigation, Mr. Chairman, has just begun, so we do not have the detailed answers to any of those questions. What we have done, as required by Section 232 -- I immediately sent a notification letter to General Mattis as secretary of defense, asking for his inputs, just as we had under the steel and aluminum investigations.

And, as you're aware, in the case of steel and aluminum, General Mattis wrote back to us that he accepts the proposition of the threat to national security arising from the imports of steel and aluminum.



I have no idea, at this early stage, what his attitude will be on the automotive sector, but it is a factor that we definitely will consider, as required by the statute, and even more as required by good common sense, as we consider these -- automotive and auto parts environment.

HATCH: OK. Product-based exclusions from the steel and aluminum tariffs are available in two circumstances -- when product is not available domestically in the quality or amount needed, and when national security considerations warrant an exclusion.

However, I understand that the Commerce Department is refusing to grant any exclusions from the quotas that limit the volume of steel and aluminum products that Americans may import from certain countries.

What is the national security justification for refusing to grant exclusions from quotas where, in the same circumstances, the same product would be excluded from tariffs?

ROSS: Thank you for that question, Mr. Chairman. The president's proclamation does not authorize us to grant exclusions from quotas. There are very few countries that have quotas, in any event.

Those are principally -- the most important one of which is South Korea, and that does have a quota, which is equal to 70 percent of the average shipments, product by product, from 2015 through 2017. In addition, Brazil and Argentina have agreed to quotas. And so those three are fundamentally the quotas that exist.

We are taking into consideration the request that had been made for exclusions based on quotas that have already been exceeded or shortly will. The problem is that a number of countries rammed in a huge amount of product prior to the president's decisions, and therefore have put in much more than they had in the prior year. So there's an intellectual challenge as to whether or not to reward those countries that were trying to game the system.

Nonetheless, we are giving real consideration to requesting the president to consider whether the similar exclusion should be granted to those countries subject to quota, as opposed to the ones we are granting to those countries that are subject to tariff rates.

HATCH: The process that the Commerce Department is administering for benefits to (ph) request product-based exclusions from the steel and aluminum tariffs -- that's had, in my opinion, many serious flaws, and problems continue to surface, for instance, some subject to objections that, in their view, contained inaccurate, incomplete, or misleading claims, and they would like to rebut those claims.

However, I understand that the Commerce Department has provided no formal channel for submitting rebuttals on <u>regulations.gov</u>, where all of the requests and objections must be filed.

Will the Commerce Department accept rebuttal comments on objections? And, if so, will petitioners be able to submit their rebuttals through the <u>regulations.gov</u> website?



ROSS: I'd like to put up chart number 1, which will describe to you the -- some statistics on the Section 232 processing. I hope it's large enough type that it can be viewed, but, on the off chance that your vision is as bad as mine, I'll also read you the information.

ROSS: By type of submission, in case of steel, we have received 20,003 exclusion requests, and, in the case of aluminum, 2,503, totaling 22,506. Against those, there have been objections filed in the case of 3,939 items in steel and 98 items in aluminum, for a total of 4,037 exclusion - objections to the filing.

In terms of comments, we have received during the comment period 383 comments on steel, 51 comments on aluminum, for a total of 434. So the total submissions, in the case of steel, are 24,325; in the case of aluminum, 2,652; for a grand total of 26,977.

Of the exclusion requests, we have posted 8,168 in the case of steel. We have -- of those, we have rejected 2,513. The rejections are in addition to the ones posted. We have pending 9,310, for a total of 20,003.

In the case of aluminum, we've posted 1,828; we've rejected 420; we have pending 253; for a total of 2,503. That comes to the same total, 22,506, of exclusion requests.

In terms of objections, we've posted 1,765 in the case of steel, 52 in the case of aluminum, a total of 1,817. We rejected 230 in the case of steel, 5 in the case of aluminum, totaled 235. We have pending 1,944 in the case of steel, 41 in the case of aluminum, total 1,985.

So, the grand totals: There were 3,939 objections filed in steel and 98 in aluminum, for a total of 4,037.

The timing is in chart 2. These are the steel submissions by week. And you can see -- or will be able to see in a moment -- that there was a big peak realized on the week of the 14th of May of this year. In that single week, we received 3,175 requests. Those are the large blue bars that you see on the chart.

Those have now tapered off quite a bit. And the -- the exclusion requests received in the week ended 6-11 (ph), this year, are only 1,481. In terms of the ones posted, those are the gray bars, and you can see that's starting to go down as well, because we're eating through the backlog.

The orange bars are the objections filed, and you'll see that bar is growing very rapidly. As the exclusion requests have become a little bit seasoned, the objections come in. And then, finally, the yellow, very small bars are the objection filings posted. So, we're pretty well catching up with the backlog that was created.

A similar pattern in aluminum in chart 3. In the case of aluminum, the requests for exclusion peaked in the weekend of the 7th of May at 769 that week and has gone down to 210 in the most recent week. Of exclusion requests posted, that's, again, the gray bar, and you can see how that's going up.



We managed to post, in the week of June 4th, 602. The orange bar, again, is objection filings and the yellow bar, the very, very small one, is objection filings posted. So there -- there is no huge backlog because, as you know, there was a mandatory objection period prior to which we could not grant anything.

So you will start seeing, more or less every single day, batches of exclusions being acted upon. Based on what we've seen so far, though, there is a high probability that relatively few of those will be granted because many of them have no substance and/or have some potential substance, but have objections that are well-grounded posted against them.

So I hope that gives you a bit of a feel for both the magnitude of the chore, in terms of the number of requests received, and the fact that we are making very good progress in dealing with them. It's also important to note that, under the president's proclamation, whatever the date when an exclusion request is granted, it's granted retroactive to the date when that objection was posted.

So, even if it takes a few days longer for people to be granted an exclusion, they really won't suffer meaningful economic harm, because it will be made retroactive. Whatever tariffs they've paid will be refunded to them quite promptly.

I hope that helps to clarify that part your question, sir.

GRASSLEY: Senator Wyden, out of my time, could I just make an observation, after hearing all of that? It sounds to me like we've got a government-run mercantilist economy, as opposed to a free market economy.

HATCH: Senator Wyden.

WYDEN: Thank you very much, Mr. Chairman.

Mr. Secretary, look, your charts notwithstanding, America's small business believe that are being held hostage in a bureaucratic twilight zone, waiting to see if they're going to escape.

And you don't have to take my word for it, Mr. Secretary. Here's what one of the top officials in the Commerce Department said this morning in the newspaper.

He is quoted as saying that the process on these tariff exclusion issues is, quote, "going to be so unbelievably random, and some companies are going to get screwed. These people are making multi-billion dollar, unbelievably uninformed decisions." And, Mr. Secretary, those are not my words. Those are the words of a top official in your department, as of this morning.

Now, the number of companies -- and every single of this committee is hearing from small businesses, every one -- the number is staggering. You planned on receiving 6,000 applications for exclusion. So far, you've gotten 21,000.



WYDEN: Now, we're going to review your math, today, but, as far as we can tell, what you've done is going to address something like 1 percent of the applications. And, by the way, adding further concern is this top official who's quoted this morning says you've only begun training staff on how to process the applications. So, every week, it just seems to me there is more and more bedlam.

And I'd like to start with a question of whether you are satisfied with how the product exclusion process is working now. That's a yes-or-no answer. Are you satisfied?

ROSS: Well, thank you for raising those questions.

First of all, as to this unnamed, anonymous, allegedly high-ranking commerce official, I don't take very seriously comments that are made by people, who are probably disgruntled for some other reason, when they are anonymous. I don't think that that's a very good basis for anything.

But, more importantly, on the substance of it, the person is totally incorrect in saying we've only begun to train people. What is correct is that it took a long time for the Congress to give us, through the appropriations process, the right to add people that we had requested, and they have not given us the full amount that we requested.

Between it being delayed and smaller than what we had requested, that's why the new people, the people that, finally, we got permission to hire -- about \$1 million worth of them -- those are the people who are being trained. So it simply shows this anonymous source is not very well-informed as to what is actually going on. That (ph) is simply wrong.

WYDEN: I can tell that you want to dismiss the criticisms, but what he said, Mr. Secretary, is consistent with what every single member of this committee is hearing from home.

I have companies that employ hundreds of workers in our state, making steel pipe fittings, cutting blades for the sawmill industry -- a wide variety of industrial products caught up in this process. I was just home -- all I hear are these endless stories.

And I've got to tell you, I think it is a real head-slapper, and it will be certainly baffling to these small businesses that check in with all of us on this committee for anybody to hear that this process is going well. It is not going well, and I think I'd like to close with a very specific request.

As you can see, the chairman and I have been working on these matters, and I don't think the improvements that you've talked about are going to be adequate.

I would like to ask you this morning to commit to providing this committee, on a bipartisan basis, within a week, a specific timetable and specific fixes so that the small businesses and the workers who are contacting us can really have a sense of what's going to happen. Will you make a commitment to do that and get it to us within the next week, Mr. Secretary?



ROSS: I would be happy to send to you, within the next week, our program. But it's impossible to commit to a specific timetable when we don't know how many requests are yet to come in. So that's one big problem.

As you can see, there are requests still coming in. But, if you do the homework, you'll find that there are very, very few requests that have ended the comment period, more than about a dozen days, without response.

WYDEN: Mr. Secretary, the reason I'm asking for this plan within a week is I don't think your department did a lot of homework at the front end, which is one of the reasons we're having the problems.

You all plan on receiving 6,000 applications for exclusion. So far you've gotten 21,000. So respectfully, I will tell you I don't think enough homework was done at the front end.

I want to make it clear; I am expecting to see within a week to the Chairman, myself, and all of our colleagues on a bipartisan basis, a actually time table on how we're going to get this fixed. Because I will tell you respectfully, nothing I've heard this morning sounds like we're going to be on top of this anytime soon.

Thank you, Mr. Chairman.

HATCH: Senator Grassley.

GRASSLEY: I heard the question by our Chairman about auto parts, and this relates a little bit to it, but it's a little more specific. Section 232 announcement that the administration released May 24th states that it will apply to light duty autos and auto parts.

Now, many auto parts share the same product code in the automotive chapter of the U.S. Harmonized Tariff Schedule with other similar products, such as heavy duty trucks, buses, construction equipment, agricultural equipment and industrial engines.

For example, water pumps used in the cooling system of the construction equipment are classified as, quote, "fuel lubricating or cooling medium pumps for internal combustion piston engines," end of quote.

The Harmonized Tariff Schedule code does not differentiate between auto and construction equipment parts. Is it the administration's intent to impose tariffs of up to 25 percent on all these parts for every country around the world, even if they don't necessarily go into automobiles?

ROSS: At this early stage in the investigation, we do not have the data to make any of those decisions. But the intention is to deal with automotive parts, not to deal with parts throughout the economy. I can assure you of that.



But there also has been no decision made as to whether to recommend tariffs at all. We're at the early stages of the process. We have invited the various participants in the industry to make their submissions. They requested some extra time, so we gave them an extra week to do so.

So we're trying to go about this in a very judicious and a very open, transparent and fair manner.

GRASSLEY: OK.

ROSS: We will try our very best to avoid there being any unintended consequences, such as the ones you have described. And I've taken note of what you said and we will undertake to deal with that as we go through the process.

GRASSLEY: I think that that would be a pretty satisfying answer to manufacturers other than cars in my state.

Question two, you mentioned in your testimony that several U.S. Steel plants are expected to come back online as a result of steel and aluminum tariffs. How long do you think it will take for production from these facilities to impact and lower the price of steel here in the United States by increasing supply?

ROSS: It should be fairly quick. U.S. Steel announced a couple of months ago their first restart, which was a million tons. They subsequently announced the second restart of a million and a half tons. That's 2.5 million tons of steel. That's the better part of \$2 billion worth of steel right there.

So it's coming. Exactly what month it will come, I don't know. But by around the end of the year, that problem should be fairly well-addressed by most of these new restarts of facilities.

What has been happening, and is a very unsatisfactory thing, there has been a lot of speculative activity storing inventory, withholding product from the market by various intermediary parties. So the price of steel, and for awhile the price of aluminum, went up far more than is justified by the tariffs.

And so, we are starting an investigation into that, trying to find out whether there are people who illegitimately are profiteering out of the tariffs.

There's no reason for tariffs to increase the price of steel by far more than the percentage of the tariff. And yet that's what has been happening. That clearly is not a result of the tariff. It's clearly a result of antisocial behavior by participants in the industry.

GRASSLEY: My last point is something you don't directly deal with, but I want to make this point anyway. It's not a question you would -- it's just a message I'd like to have the administration get.



I realize that Section 301, intellectual property investigation, is not in your jurisdiction. But since you're the person here representing the administration, I convey this point to you from what I hear from my constituents.

The impact to the proposed tariff is getting very real. We watched the soy bean market start to collapse from an upper \$9 range to a mid \$8 range, yesterday down \$0.40 I believe. As an example, losing \$1.25 on national average soy bean yield of 49 bushel per acre, equates to a farmer losing \$61.25 an acre because of these movements.

Even if farmers don't have to sell their physical crop right now, the sudden volatility in the market can increase the cost of hedging. And in some cases require margin calls for those who are long in the market.

I would request you and others in the administration, and particularly Peter Navarro, to be aware of the pros and cons of the price statements to the press on these trade issues, and be very diplomatic with comments.

Thank you very much, Mr. Chairman.

ROSS: Senator, I'd be happy to relay your comments to the parties you described. And as you know, the president has directed the secretary of agriculture to use every power that is at his disposal to help the agriculture parties who are adversely affected by retaliation. But I will communicate what you've said to the White House.

GRASSLEY: The president heard - we heard the president say that to the secretary of agriculture. And in the process, all the senators around the table said, we don't want money from the Treasury. We want markets.

Thank you.

HATCH: Senator Bennet.

BENNET: Just to follow up on Chairman Grassley's question, what do you mean by that? What do you mean? What are you going to make available to our farmers and ranchers? What do you propose?

When secretary -- when Ambassador Lighthizer was sitting there, he said, my farmers -- he said, your farmers and ranchers have my sympathy, because they'll be the first people that will suffer retribution if there's a trade war. And I said they don't need your sympathy. They need you to act reasonably.

BENNET: What do you now propose for our farmers and ranchers? What do you mean when you say the secretary of agriculture should do everything he can do?

ROSS: I...



BENNET: Who, by the way, I think opposes these policies, but ...

ROSS: ... I'm not, in detail, familiar with all of the tools the secretary...

BENNET: But -- but how can you not be familiar with them? You've come here and testified that that's how you're going to solve the issue. It's like describing these steel prices that are going straight up like this, as antisocial behavior and not a result of the tariffs. That is not true.

ROSS: Well, I disagree with you, Senator.

BENNET: The antisocial behavior, even accepting that description was certainly provoked by the tariffs, wasn't it?

ROSS: No, sir.

BENNET: Would it have existed with no tariffs?

ROSS: I think they viewed the tariffs as an opportunity for them to profiteer.

BENNET: Thank you. They are related to the tariff. So what do you propose the Agriculture Secretary should do? A policy opposed by my Republican colleagues, but what should they do?

ROSS: Well, it's up to the secretary of agriculture to come, because each of the segments of agriculture is quite a different segment. I think he heard very clearly the comment from the farm state representatives that they don't want government aid.

Well, we have no control over what another country does in retaliation. But, what the president just did announce to try to discourage retaliation, when the Chinese on the 301 announced that they would match the \$50 billion of product that we have put tariffs on with their \$50 billion, the president put tariffs -- said he will put tariffs on \$200 billion. That's a very significant number.

BENNET: It sounds like the beginning of a trade war to me, Mr. -- Mr. Secretary. And I -- I think the sensitivity, maybe, on Capitol Hill might be that we're looking at a trillion-dollar deficit next year, the largest deficit that we've seen outside of a recession or outside of a war, because of this administration's policies.

So, the -- my point is, I don't think you're going to have any backstop for our farmers and ranchers. And, to blindly pursue these policies without considering what happens to them, I think, is a huge mistake.

I like to ask you, following on to the chairman's questions of you, Mr. Secretary, what is it about the Canadian steel industry that is a national security interest to the -- threat to United States?



ROSS: The -- the Canadian steel industry is not being accused of directly and individually being a security threat.

BENNET: What -- what is our trade deficit...

ROSS: We...

BENNET: ... in steel with Canada?

ROSS: We -- we do not have a trade deficit of note in...

BENNET: We don't?

ROSS: No, sir.

BENNET: Well, do we have a surplus with Canada in steel?

ROSS: Yes, sir. We have a surplus in dollars...

BENNET: So does that...

ROSS: May I finish my answer?

BENNET: Sure, of course.

ROSS: We have a surplus in dollars. We do not have a surplus in physical value. What happens...

BENNET: OK, so -- so ...

ROSS: ... what happens is steel...

BENNET: Mr. -- Mr. Secretary, what is the national security threat of the trade surplus that the United States has with Canada in steel?

ROSS: The -- the national security implication is in the aggregate, all of the steel ...

(CROSSTALK)

BENNET: But, why would you put a tariff on -- what -- what is the national security basis for the tariff that you have placed on Canada?

I understand what we're supposed to be doing with China. I don't understand why the president's not focused on it. I don't understand why he is excluding ZTE. I don't understand it.

What is the national security rationale...



ROSS: Yes.

BENNET: ... for putting a tariff on the Canadian steel industry with, whom we have a trade surplus?

ROSS: Well, if -- if you would let me finish the answer...

BENNET: I will.

ROSS: ... I'll try to do so. The reason the tariff is being put on essentially all countries, most of whom are friendly countries and have good relations with us, and some others of which also have surpluses with us, the reason it has be a global solution is if you just looked at the raw data, you wouldn't think China is a problem for the U.S., because what they've been doing is masking their exports to us by shipping them through other countries.

So they -- the raw data, if you just believe the raw numbers, China is shipping less to us than they did five years ago. The reality is quite to the contrary. They are disrupting the global steel markets. They are causing both direct and indirect damage to it. So we have to do it on a global basis. The...

BENNET: I -- I'm...

ROSS: ... good news -- I'm -- I'm not quite finished.

BENNET: I'm sorry.

ROSS: The good news is that, as a direct result of the 232s, suddenly Europe is enacting safeguards against steel dumping into Europe. They didn't do much before. Canada is taking action. Japan, for the first time, has created an enforcement body within METI to deal with the problem.

The only way we're going to solve the global steel overproduction and overcapacity is by getting all the other countries to play ball with us. And, while they are complaining bitterly about the tariffs, the fact is they're starting to take the kind of action which, if they had taken sooner, would have prevented this crisis.

HATCH: Senator, your time is up.

Senator Roberts

ROBERTS: Thank you, Mr. Chairman, Mr. Secretary, thank you for coming today.

I know you expect me to focus on tariffs as ably described by my colleague from Colorado, and putting agriculture commodities in a retaliation bull's-eye. That is an ongoing and very critical challenge for everybody in farm country.



But, I'd like to start off my question by providing you with an update on the effects of the steel and aluminum tariffs are having in Kansas and locally. First, I want to let you know our wheat harvest has just started. The expected total will be the lowest in 40 years. We are in a rough patch.

Yesterday, the closing price in Dodge City -- here's the farm report; for wheat was down about 17 cents per bushel, corn down about 3 cents, sorghum down about 4 cents. By the way, I was in my office when the decision was made on the solar panels and the washing machines -- or, I wasn't in my office, I was in the White House when that happened. And the sorghum producers were there and they lost 80 cents on the dollar, and, you know, more, you know, more problems with that as we continued -- soybeans down about 20 cents, that would have been worse if it hadn't rebounded over the course of the day.

We usually have our wheat exported to Mexico, talking about the wheat producer in Kansas. We have wheat on the ground from last year's crop. This year's crop, as I said, was the lowest in 40 years.

Mexico's buying their wheat from Argentina and their corn from Brazil. That's the problem. We could be in a situation we would lose that market and our sole -- our -- we wouldn't be a reliable supplier. Once you do that, you're in a lot of trouble in the trade business.

ROBERTS: But I want to talk about recently the owner and operator of Shield Agriculture Equipment, Mike Bergmeier, contacted me about the rising cost his business is experiencing due to steel tariffs. This is just one example. I guess he's in exclusion tariff purgatory, with one in the 42,000 you're trying to deal with. But Shield AG is a small business in South Hutchinson, Kansas. It employs 42 people. The company designs and manufactures and distributes tillage tools and hardware.

His company uses steel from Manitoba, Canada to make their shield v-blades, a key component of blade plows. Farmers use this equipment for conservation efforts all across the High Plains. The steel is not available from any other mill in the United States. And due to tariffs on steel, Shield AG's cost of production for this single replacement blade is \$85,000.

Shield AG has submitted a steel exemption request, but has yet to see it posted on the regulation website. I think every member here has already mentioned that. It is a cumbersome and very slow exclusion process. And I know you need people and I know you need funds to pay the people.

In the absence of an exemption shield, AG will have no choice but to pass the rising cost of production on their customers, primarily farmers and ranchers. He does not want to do that and they're in no situation to pay for it.

What will be the impact to tariffs on steel and aluminum? Well, Mike Bergbiger knows. Pardon me, Mike Bergmeier knows, as do many small to medium-size enterprises who are seeing



price increases now, and have been for months. I think a case can be made that these businesses are paying the price for the administration's negotiating strategy.

Secretary Ross, I think it's imperative that you and your department understand the current impact, not only with regards to farmers and ranchers and the entire AG industry, but also the small business community, the so-called little guy.

So when Mike called and talked to my staff, he asked, who can I call? What can I do? I talked to him. I sympathized with him. But obviously you can only do so much as a senator and also the chairman of the AG Committee.

I told him about the hearing today and he made a request. And I made a request to you earlier and I appreciate your response and that is, you get Mike Bergmeier a call, so you can hear firsthand the tough choices the small and medium-size businesses are making due to these tariffs.

He gets up every morning at 5:30. That would be 6:30 our time. I know your time is extremely valuable. You have indicated you're going to give me a call. I gave you the card, a little background sheet. I truly appreciate your willingness to give me a call, because his example is a classic with regards to small businesses up and down main street in rural small town America. Thank you.

ROSS: Thank you, Senator. From your description of his situation, it sounds like it's one for which the exclusion process was specifically designed. It was the unique product, unique form of steel not available from here. And if there's no objection, which if there's no U.S. manufacturer, it's hard to imagine there would be an objection filed. If none of that happens, there's no reason he wouldn't be granted an exclusion.

As I promised you before, I promise you now on the record, I will call him no later than tomorrow morning. It may not be quite as early as 6:30, but I'll get him either today or quite early...

HATCH: If you can move him to the top of the list, it would be great. But I'm not sure that that's the way we ought to do business.

ROSS: No, but do you know off hand, Senator, when he filed the request for the exclusion?

HATCH: I do not know that.

ROSS: Because as you know ...

HATCH: I'll be happy to get back to you on that.

ROSS: Because as you know, there's a statutory waiting period that we have. We can't do anything until that clock has tolled and therefore, until we've received whatever objections there may be. So it could well be that he is in that period. If he's out of the period, we'll do our best to accelerate.



HATCH: Senator Enzi.

ENZI: Mr. Chairman, thank you for holding this.

I'm going to have a different kind of a question for you. That's that in January you submitted a Section 232 to petition for relief from imports of foreign uranium that threaten our natural national security. According to the recent Uranium Marketing Annual Report for 2017 that was released by the U.S. Energy Information Administration, domestic uranium comprised only 7 percent of the total uranium delivered to the civilian nuclear power reactors.

Our overreliance on uranium from foreign countries, such as Russia and Kazakhstan, has created significant national security threat and hamstrung our domestic uranium producers. The problem is particularly important in my home state of Wyoming because we account for two-thirds of that domestic uranium.

Will the Commerce Department initiate an investigation based on this petition? And if yes, when can we expect that investigation to begin?

ROSS: I'm quite familiar with that situation. And have among other things, been discussing it with Secretary Perry, because as you know, energy comes very much under his -- and power comes directly under him. We will be making a decision very shortly as to whether to initiate the 232 investigation. It's complicated by some prior agreements that exist. But we're sorting through it and we will come to a conclusion very, very quickly.

I think your figures are quite accurate about the extreme dependence that our country has on foreigners that are not necessarily always our friends, for the supply of aluminum. But we're going right now through the process of trying to come to a rational conclusion about whether or not to self initiate the 232 on aluminum.

ENZI: I appreciate that and your answer.

Now Congress has enacted trade remedy laws, such as the antidumping and countervailing duty remedies provided in Title VII of the Tariff Act, in an effort to protect domestic industries. In the case of uncoated groundwood, tariffs imposed to benefit one mill will result in significant harm to our rural newspapers.

How should the Commerce Department approach cases where the protection of one portion of an industry can lead to significant harm to another portion of the same domestic industry?

Given that Congress did not enact the trade remedy laws in order to harm the overall economy, how does Commerce ensure that Congress's intent is achieved?

ROSS: Right. Well, among the data that we've requested from the newspaper industry, which frankly has yet to be forthcoming, was just how much per page, for each of their publications does this mean?



And the only ones we've gotten data for have been provided by the petitioner. And his figures show that it's a very trivial thing, both for major newspapers such as Wall Street Journal, and for small newspapers such as the one in the Pacific Northwest, where he operates.

We have been seeking from the industry, and some of the members of Congress have been helpful in going back to their newspaper constituents and asking, please tell us, "Please tell us two things. One is, how many -- three things. How many pages do you print a day? How much, per page, is the extra cost? And how does that compare to the price of the paper?"

Then, we can really put it in perspective and judge the extent to which it's a compelling argument. So...

ENZI: And...

ROSS: ... we're quite open to receiving that information. I have no idea what it will show, but we're desperately seeking input.

ENZI: Yes.

ROSS: So any newspapers in any of your areas who would be willing to submit that information would be very -- very helpful.

ENZI: Well, that information won't be very difficult from the big newspapers. It's the little newspapers that don't have an extra person to calculate what the per-penny cost is on the -- on a sheet of paper.

And they do know that the inserts that they're putting in are also going up, which means advertisers are going to advertise less because they have a budget that they have to meet.

And so it has a lot of different implications, of which a lot of them are hard to calculate. But I can guarantee you that a lot of small newspapers are going to go out of business if -- if that happens. And that one mill (ph) may do well; on the other hand, with less customers, it may not.

ROSS: Well...

ENZI: Thank you.

ROSS: ... yeah. There also, sir, are a number of parties who have told us that they're in the process of opening mills. So, to the degree that that proves correct, there may very well be another solution, which is more domestic production.

So we -- we understand the dilemma. We understand the problem. To the degree you can get me that information, it would be very, very helpful, because the -- the only information on the record is what was put on by the petitioner. And his information is it's a fraction of a penny per -- not just -- not per page, but per issue, counting all the pages.



So, if he's right, that would say it's not a very big problem, compared with some of the other problems the newspaper industry has. We already have gotten to a situation where he has withdrawn his similar petition against the particular kind of paper used in directories. So that should also help alleviate the situation.

So we're working on it. We're trying very hard to get a handle on just what these cost figures are. And, frankly, even with a small newspaper, I can't imagine they don't know what their paper cost is and the number of pages. So it can't be that hard a calculation for them to come up with.

HATCH: Senator Thune.

THUNE: Thank you, Mr. Chairman.

Mr. Secretary, China has been stealing our intellectual property and using unfair trade practices for far too long. We all acknowledge that. And I'm glad the president is taking this problem seriously, unlike his predecessor.

However, I'm increasingly concerned that the tariffs, both those in place and those that have been proposed, are going to hurt American consumers and our domestic businesses, especially in the agricultural sector, far more than they're going to persuade the Chinese to change their unfair trade practices.

And, with the president's announcement last night that he's prepared to impose as much as \$400 billion more in tariffs if China does not make systemic changes, it appears that this situation is escalating rapidly.

My question is, what is the administration's overall strategy to find an equitable solution in this case before the burden of these tariffs have a substantial impact on American consumers and businesses and drive down U.S. economic growth?

ROSS: Well, the basic strategy is to try to bring enough pressure on parties who are not behaving appropriately so that they conclude that the alternative of continuing their present behavior is going to be more painful to them than acceding to the requests we've made that they honor intellectual property.

As to the importance of intellectual property, the president is extremely committed, and so am I. And, in fact, yesterday, we had an historic event. The president signed -- went and (ph) signed the 10 millionth patent issued by the United States.

That's almost half of all the patents that have ever been issued in the entire world, and more than half of the 10 million have been issued since 1985. So the pace of patents is growing very --very rapidly, and that's good.



But it's only good if we can force other nations to honor them and not abuse them, not force technology transfers, not steal through cyber-security, not do all of the horrible things that we're well aware are in fact being done.

So the only method we could think of -- we tried negotiation. I, myself, have been, four or five times, in China, negotiating, over the last year or so, and the president has concluded that we need more than just negotiation. There have been years of talk with China about intellectual property.

The president feels, and I agree, that now is the time for action. And, unless we make it more painful for them to continue those practices than to do otherwise, unless we put that that kind of pressure on, it's unlikely we will succeed.

(CROSSTALK)

THUNE: Well -- and -- and we appreciate your focus on that. I mean, I think you're -- we all agree that they -- they've been abusive, they cheated. And -- and, again, I like the focus. But this thing seems to be escalating out of control fairly quickly.

And -- and I want to come to back to the -- one other issue, while I -- I'm running out of time here, but the White House's decision to impose tariffs under the Section 301 investigation is also very concerning.

And this decision walks back an earlier announcement that the United States and China had reached a tentative deal that would incr

Lila E. Nieves-Lee

(b) (6)



Fwd: MOFCOM Regular Press Conference 06/21 and internal MOFCOM struggles

From jamieson.l.greer@ustr.eop.gov

To: "Lighthizer, Robert E. EOP/USTR" < (b) (6) ustr.eop.gov>

"Vaughn, Stephen P. EOP/USTR" <stephen.p.vaughn@ustr.eop.gov>, "Gerrish, Jeffrey D.

EOP/USTR" <jeffrey.d.gerrish@ustr.eop.gov>

Date: Thu, 21 Jun 2018 06:39:27 -0400

From: "Green, James B (Beijing)" < GreenJB@state.gov>

Date: June 21, 2018 at 4:28:02 AM EDT

To: "McCartin, Terry J. EOP/USTR" < Terry McCartin@ustr.eop.gov >, "Greer Jamieson L. EOP/USTR"

< <u>Jamieson.L.Greer@ustr.eop.gov</u>>

Cc: "Schuman, Sara C (Beijing)" < SchumanSC@state.gov>

Subject: MOFCOM Regular Press Conference 06/21 and internal MOFCOM struggles

SENSITIVE BUT UNCLASSIFIED

(U) (b) (5) This is an unofficial translation, so don't take any phrase/word as final.





From: Gao, Fei (Beijing) < gaofx@state.gov > Sent: Thursday, June 21, 2018 3:29 PM

To: Green, James B (Beijing); Schuman, Sara C (Beijing); Xiang, Ting (Beijing)

Subject: MOFCOM Regular Press Conference 06/21

MOFCOM held its regular press conference today. MOFCOM spokesman Gao Feng provided following answers to the questions raised by reporters.

Q1(China News Service): MOFCOM comments on U.S.' additional USD200billion?



A1: The United States itself has a lot of problems but always regarded other countries as scapegoats. We oppose this kind of trade protectionism sticks, the implementation of extreme pressure and blackmail practices. The abuse of taxation and the provocation of trade war in various parts of the world will seriously undermine the world trade order and harm the interests of its trading partners. It will also hurt the interests of its own businesses and people. Such acts are unpopular. The United States itself has a lot of structural problems, but it always treats other countries as scapegoats for its own problems and accuses others. The U.S. accuses China of stealing intellectual property rights and forcing technology transfer is a serious distortion of history and reality. In the process of China's reform and opening up, many foreign companies proceeded from their own interests and conducted very good technical cooperation with Chinese companies. This is a typical form of market contract behavior. Foreign companies have received well-known generous repayments. The U.S. side ignores these basic facts and accuses China. It is the negation of property rights and credit awareness, the negation of the contract spirit, and the negation of market laws.

Q2 (Central Radio and TV Administration): China had previously announced that it would reduce the import tariffs on automobiles. However, we also noticed that there are also some U.S. automotive products in China's tariff list. How will the conflict part be dealt with? Will China's tariffs on the U.S. in conflict with China's further opening up?

A2: China's further reduction of import tariffs including automobiles is an important measure for further opening up. We have included some commodities in the Chinese control list. This is a response to the U.S.' unilateral taxation measures. It is a last resort and it also complies with China's relevant laws and the basic principles of international law. This does not conflict with China's active expansion of imports. China will continue to expand its market opening. In November of this year, the first China International Import Expo will be held to allow all countries in the world to share China's opportunities and achieve common development. It is hoped that the United States will respond to the calls of the Chinese and U.S. industry for strengthening cooperation and not miss the rapid development of China.

Q3 (Phoenix TV): U.S. Secretary of Commerce Ross announced that U.S. will levy anti-dumping tax of up to 167.16% on aluminum alloy plates produced in China. What's China's response?

A3: We have noticed that the United States continued to use the "alternative country" in the initial ruling and made a ruling that all Chinese enterprises had an abnormally high anti-dumping margin of 167.16%. At the same time, the U.S. investigation agency abused the presumption of unfavorable facts in the anti-dumping investigation. On the premise that China's responding enterprises submitted the questionnaires in a comprehensive and timely manner, for the reason that the third time that Chinese companies regularly requested to submit the questionnaire was too close to the preliminary deadline, Chinese companies were ruled failing to cooperate fully. The Chinese side is strongly dissatisfied with this.

The US approach has seriously damaged the interests of Chinese companies and further undermined the seriousness and authority of multilateral rules. It is hoped that the investigation authority of the United States will safeguard the impartiality of its own rulings, fully protect the fair defense rights of Chinese companies, and earnestly fulfill its international obligations. China will take necessary measures to protect the legitimate rights and interests of Chinese companies.

Q4 (China International Television): Many U.S. companies and scholars have expressed clear opposition to the United States levying tariff measures, arguing that this is not conducive to the overall development of China-U.S. trade and economic and trade cooperation, and has also aroused the dissatisfaction of U.S. business community and industry organizations, including the American Soybean Association, the Farm Support Free Trade Organization, and the American Equipment Manufacturers Association. What's MOFCOM's comment? A4: We have noticed the strong domestic concerns over the unilateral taxation measures of the U.S. government. The number of opponents has been continuously increasing, and the scope has continued to expand. First, the chambers of commerce and industry associations whose interests are directly related have expressed their opinions. The financial industry, agriculture, and manufacturing industries are all strongly opposed. Some experts and scholars who have profoundly studied international trade have also voiced their opposition. Recently, there have been apparently different voices heard in the political circles of the United States. The international community is generally concerned and strongly opposed.

The United States goes back on its word, the actions not only disappointed China and the international community, but also caused strong opposition within the United States. The U.S.' unilateral protectionism measures will ultimately harm the interests of U.S. businesses, workers, and peasants and harm the interests of the



world economy. The voice of opposition will be further expanded. We hope that the U.S. side will appeal to all circles and return to the right track.

Q5 (Reuters): What kind of measures are the combinations of quantitative and qualitative measures? May I ask whether the Chinese side's provocation and patience with the U.S. side are limited? Under what circumstances will China stop negotiation with the United States?

A5: If the United States introduces a so-called taxation list and adopts a method of distorting international trade and leads to unfair trade, China has made full preparations and will comprehensively use various measures including quantitative tools and quality tools to a strong response and firmly defend the interests of the country and people.

In the process of handling Sino-U.S. economic and trade disputes, China has always proceeded from maintaining the overall situation of Sino-U.S. economic and trade relations and promoted the consultation in an active and pragmatic manner. The two parties once achieved results and formulated a very clear consultation road map and timetable. Based on the consensus reached in Washington on May 19th, the two sides conducted specific consultations in Beijing in the field of agriculture and energy in early June and were generally welcomed by all walks of life. Both parties originally agreed to conduct specific consultations on the manufactural and service industries in the near future, and at the same time conduct specific consultations on structural issues of bilateral concern. The Chinese side believes that the previous consultations between the two sides are positive and constructive, and it is in the interests of both peoples. It conforms to the established rhythm of China's reform and opening up and complies with the principles of the WTO. However, it is deeply regrettable that the United States has been capricious and has intensified its efforts to provoke a trade war. The Chinese side has to make a strong response. The United States is accustomed to holding big sticks to negotiate, but it does not apply to China. This irrational behavior is not conducive to solve problems.

Q6 (Xinhua News): Trump administration initiated a trade war with China and was met with strong opposition from many U.S. domestic companies and also many different voices within the U.S. government. Do you think it is one of the reasons to lead the U.S.' fickleness? What's your opinion on the future development trend of China-US trade disputes?

Q6: The US's fickleness is obvious to everyone. What I want to emphasize is that no matter how the attitude of the U.S. changes, China will respond calmly. We will adhere to the established rhythm, persist in taking the people as the center, firmly push forward the reform and opening up, firmly advance the high-quality economic development, accelerate the construction of a modern economic system, and manage our own affairs well. China's economic prospects are bright and its development potential is huge. We are full of confidence in this.

Source in Chinese: >http://www.mofcom.gov.cn/xwfbh/20180621.shtml<

Caixin news on 06/21:

Chinese Minister to the United States: Trade Disputes Should Be Solved Under the WTO Framework Li Kexin, Minister of the Chinese Embassy in the United States, said that China-U.S. economic and trade issues can only be resolved through negotiations. China will not succumb to any external pressure and sacrifice principles.

In answering the Caixin reporter's question, Li Kexin said that the Chinese side has seriously taken the U.S. statement and called for both China and the United States to remain calm and insist on negotiations. "We hope the (U.S.) statement is a strategy, not because of political considerations of Trump or the U.S. government." "Let's wait and see. Because what happened today may change tomorrow, this is a kind of 'new' normal'."

Source in Chinese: >http://international.caixin.com/2018-06-21/101273919.html<

Best regards,
Gao Fei
Administrative/Program Assistant
Office of the U.S. Trade Representative
U.S. Embassy Beijing
Tel. (b) (6)



Fax: [86 10]8531-4202

gaofx@state.gov<mailto:gaofx@state.gov>

This email is UNCLASSIFIED.



Fwd: Corker

From: "Vaughn, Stephen P. EOP/USTR" < stephen.p.vaughn@ustr.eop.gov>

To: "Lighthizer, Robert E. EOP/USTR" < (b) (6) ustr.eop.gov>

Date: Wed, 27 Jun 2018 12:34:22 -0400

See below. Brown just stopped Corker and Toomey from moving forward with their amendment.

Begin forwarded message:

From: "Griffin, Payne P. EOP/USTR" < Garrison.P. Griffin@ustr.eop.gov>

Date: June 27, 2018 at 12:25:48 PM EDT

To: "Greer, Jamieson L. EOP/USTR" < <u>Jamieson.L.Greer@ustr.eop.gov</u>>

Cc: "Vaughn, Stephen P. EOP/USTR" < Stephen.P. Vaughn@ustr.eop.gov >, "Jackson, Christopher L.

EOP/USTR" < Christopher.L.Jackson@ustr.eop.gov >

Subject: RE: Corker

Heres the full transcript. May be some typos in here, but I tried to clear most

CORKER: Mr. President, I want to thank my friend from Pennsylvania for his comments and for his leadership on issues relative to free trade and other important issues to our nation. I just want to reiterate for a minute before I ask for this amendment to be called up. The fact that this particular amendment, number one, is cosponsored by 14 people of various ideologies on both sides of the aisle. Senator flake is here on the floor as cosponsor of this amendment. It is probably one of the most supported amendment we're going to vote on as it relates to the farm bill.

Is the farm bill the right place? Absolutely. Farmers around our country are being hurt by this administration's trade policies more than 20 farm bills could help them. So it's very important for us to address this issue now. Some of my friends on the other side of the aisle who, by the way, we have many people on the other side of the aisle supporting this legislation, this amendment. Some of them have said, well, but we don't want to hurt our ability to impose tariffs on china. This has nothing to do with that. As the senator from Pennsylvania mentioned, the President has used the section 201 of the trade act to put in place tariffs on solar panels and on washing machines.

He did that in January. The additional tariffs that he is putting in place on china are under section 301. What this amendment narrowly focuses on is the abuse of authority that the administration is utilizing to put tariffs in place on Canada, Mexico, and many of our allies, especially in Europe. In addition, what he's done is citing national security. It is dubious. All of us know it has nothing whatsoever to do with national security, but the reason the President is using this is he doesn't have to prove anything to use it. Under the other sections, you have to deal with the WTO or ITC. And you have to make a case for what it is you're doing. But when



you use 232, no case has to be made. He can just do it. And, therefore, that's the reason because of this abuse of authority that is the reason that we believe the President ought to be free to negotiate these. Sure, he is the leader of our nation. But once he completes those negotiations, if he's going to use section 232 of the trade act, we believe it should come to congress as was laid out by the senator from Pennsylvania.

So with that, with that I ask unanimous consent to set aside the pending amendment and call up amendment 3091.

[Brown Objects]

BROWN: I reserve the right to object. Mr. President, my colleague raises concerns about the effect of retaliation or tariffs on our farmers and others. I couldn't agree more. But we should not pit farmers against steelworkers. Only a few days after Canada -- candidate Trump became President Trump. One of the conditions, one of the add among missions if you -- admonitions, if you will, you don't play off one industry against another. You don't play off agriculture against autos or steel or chemicals or anybody else. But we need -- it benefits all Americans.

And I think my colleagues agree with this. It benefits all Americans if we stop china cheating, if we force them to play by the rules. I would say to my colleagues today, to senator Toomey and senator corker, I understand they have some bipartisan support on this. I'd say that probably the worst thing you do for America's farmers is jeopardize passage of the farm bill today. I've spoken with senator Roberts and senator Stabenow about that. That's exactly what this amendment would do. The amendment would gut most importantly, it would gut one of our trade enforcement tools, a tool congress passed and enhanced in the finance committee just in the last couple of years, passed to ensure we protect the industries necessary to defend our country. I know my colleague from Tennessee generally opposes the President's trade agenda. I think he does that from an intellectually honest position.

But that is not justification for completely undoing a decades old statute that is one of the few tools we have to defend national security interests against distortions in the global market. The steel and aluminum tariffs the President has put in place are long overdue actions to defend against further shrinking of two sectors critical to national defense. Senator Toomey certainly knows this in the western part of his state as I know it in mine. I know my colleagues agree that steel -- excess steel production capacity in china is troubling. We're talking about a country that now has the capacity to produce half the world's steel, close to half the smelting, half the world's aluminum. It's infected the global market.

It's made steel overcapacity a global problem. We know that china puts people to work because they can't afford to have hundreds -- to have tens of millions of young men unemployed in the countryside. They subsidize their water, energy, land. They have dozens of government-owned enterprises. They -- that's very simple. We have an administration now finally willing to take action and defend our highly competitive steel industry and steel workers. I know what a competitive steel plant looks like. I was in Cleveland, seven miles from my house only a week ago, that's the only steel mill in the world that can produce raw steel with one person hour -- with one person hour of labor. Think of that. A ton of steel



produced by one person hour. That tells you how productive our plants are. But against china cheating and subsidizing the components, we simply can't do that. The state of Tennessee has been lucky perhaps to avoid this like Yorkville, Martin's Ferry, Lorain, all cities in Ohio, up and down the river. Senator Toomey said the same thing all as a result of the capacity.

The thousands of steel workers in Ohio who lost their jobs are constant reminders for my state that this trade enforcement action taken by the President was long overdue. We have to have steel in this country to defend ourselves. It's that simple. We won't have these critical sectors if our steel and aluminum producers can't keep their doors open. This statute was congress's way of acknowledging their connection between trade and national security. Imports can undermine national security. There should be ways for the President to take action when that's the case. The corker amendment fundamentally rejects that idea and hamstrings the President's ability to protect America's national security interest. Even worse, the corker amendment would remove the 232 steel aluminum tariffs. Why would any colleagues vote to let china off the hook? Look at the bipartisan effort to pass the risk review modernization act.

It passed down the hall I believe with only two NO votes. There's broad bipartisan support, also for ensuring the President take a tough stance with z.t.e., which he has not been wild about doing. When it comes to aluminum and steel, it's okay to let china off the hook makes no sense. I know some of my colleagues who support this amendment will say they support the President's actions if they were targeted just at china. They think the corker amendment is necessary because the President applied these tariffs to our allies. But steel capacity is a global problem and needs a global solution. If we don't take a more comprehensive action, china will cheat their way into those other markets, ask a.k. steel, ask U.S. steel. They have all seen the tricks china uses to work around our antidumping and counter veiling duty laws.

Or look at the <u>Ambassador's</u> recent report on China's intellectual property theft. He found that china was stealing with \$50 billion of -- china -- I understand china. I don't even particularly fault them because they are acting in their national interest. Maybe we should do the same thing because china is determined to gain U.S. market share in technological advances. They'll stop at nothing to get. It I agree with we should work with our allies. They negotiated agreements with South Korea, Brazil, Argentina and Australia. Some of my colleagues are concerned rightly about Canada and Mexico being covered by the tariffs. I share that concern, but gutting it is not the way to fix it. I encourage my colleagues to -- I spoke to <u>Ambassador Lighthizer</u> again, we are in a holding pattern until Mexico's elections, but soon after that NAFTA talks will pick up. Steel and aluminum tariffs will be part of the dialogue as they should be.

Canada and Mexico has such close proximity to our market, they are targets for Chinese. We have to guard against that where the tariffs won't be effective. Before my final remarks. I hope that -- Canada and Mexico is an important part of the North American steel supply chain and important to make sure that our efforts to address this are effective. The tariffs were effective yesterday. One steel company said that a company would start in September, in Granite City, Illinois, 800 steel workers would called back to work. The corker amendment would interfere with this. The corker amendment would permanently undermine a longstanding section of statute to make sure that the U.S. has the industries to defend itself. It would let bad actors like



china off the hook and flood the markets with unfairly traded steel. It threatens the improvements seen in our steel and aluminum industries since the tariffs were opposed. For all those, reasons, Mr. President, I object.

CORKER: madam President, I don't even know where to start. The senator from Ohio is a friend of mine. We came in together at the same time. He's written books on labor and trade, and I respect the fact that he knows a great deal about the topic and that we served together on the banking committee, and I respect him. Much of what he just said was focused on china. I've never heard of a trade policy where you have a country like china who is, in fact, dumping steel around the world because it's in their interest. I've never heard after trade policy where you punish your friends in order to get at someone who's doing something to you. So we're punishing Canada and Mexico, we're fortunate to live in the neighborhood that we live in to have neighbors like we have. We're punishing our European allies who have been with us for centuries in order to get it -- to get at china. It makes no sense. As a matter of fact, I haven't heard a person who's gone to the white house to talk about what they are putting in place, trade policy, back -- come back over here and be able to articulate anything coherent about that policy. I haven't heard a single soul be able to explain to me why we would punish our allies in Europe, our neighbors next door in order to get at china. 232 has nothing to do with china. That's absolutely not true. It has nothing to do with china. China is being punished by 201 and 301 and we're punishing our allies by abusing a national security section called 232. So I don't know what to say. Let me just -- let me fin shall one -- finish one who are thing before I yield, and I'll glad I will yield. People in our nation are being hurt today. People are being hurt. You saw the Harley Davidson issue. They are going to move some of the jobs overseas to avoid these tariffs. Other companies are going to be doing the same. Right now farmers are being hurt around our country. On July 1, a whole other sit of -- set of counter measures are coming in -- measures. On July 6 there will be another set of counter measures coming in. I want to be clear that the senator from Ohio, my friend, won't allow us to vote. If he disagrees with this policy, he can vote against it. He's not even allowing us to vote on something that could ease and stop the pain that's being inflicted our -- inflicted on our country by a trade policy that is not coherent, that is being made up on a daily basis, that has nothing to do whatsoever with what china is doing with steel and aluminum. I don't know what this body has become where you can't even vote on an issue that is current that is damaging farmers more than 20 farm bills could make up for. So, with that, I yield the floor to my friend from Pennsylvania.

TOOMEY: I thank my colleague from Tennessee. I'll put aside how stunned I was to hear that my colleague from Ohio suggests that maybe we want to emulate the communist managed economy of china as a good model for economic development. I -- that's just breathtaking to me. But I really want to stress the point that the senator from Tennessee made, and that is the fact that this amendment has nothing to do china. We can go on all day about how outrageous some Chinese behavior is in the trade space, and it's true. There is some really bad behavior. By the way, we need to address that. We would be able to address the theft of intellectual property if our allies were working with us to address that outrageous behavior, but it's hard to get your allies to work with you when you are hitting them with tariffs and the excuse is national security. Let me just put a little bit of scale to this. Our colleague suggested how important it is that these industries survive. I completely agree. Domestic producers produce 75% of all the steel we consume. We import about 25% of it. You know how much of that



comes from china? About 2% of the 25%. We don't import steel from china is the reality. So we do import a little bit of steel. The number one source is Canada who buys more steel from us than we buy from them. So that's our national security threat. So that's why we need to hit my -- my constituents with a tax when they choose to buy those kinds of steel that the Canadians happen to specialize and Americans don't. This makes no sense at all. And, finally, my last point is, so, look, we have sincerely held difference of opinions on this. Why can't we vote? Isn't that what the senate is here for? Let's debate this. Let's consider this. And let's have a vote. I didn't think the purpose of the senate was to avoid votes that people think are tough or challenging or that they disagree with. I fully accept disagreement. I don't expect a unanimous agreement on the outcome of the policy. But why in the world isn't this a body that can't have a vote on something as timely and relevant as this?

CORKER: I will be brief. I know the senator from Ohio wants to speak and the senator from Wyoming has been waiting. People in our nation are being hurt today. Americans are being taxed heavily. A tariff is a tax on the American people. What the senator from Ohio is doing is saying that the senate should not even vote on a measure to alleviate the pain that Americans are going to feel, the jobs that are going to be lost over the next couple of months as this trade war continues. And I'm just disappointed. I cannot believe with the zeal that we both came into the senate 11 and a half years ago to debate and deal with the big issues of our nation and to have an amendment that supported -- that's supported in a bipartisan way when people know -- when they know that the trade policy that is being put forth by this administration is being made up on a daily basis and they know that jobs are going to be lost and farmers are already hurt, we cannot even vote on amendment -- even though we may disagree -- vote on an amendment. So on this day, June 27, let it be known that a bill that is very relevant because of the pain that farmers are going through, we were kept from voting on a measure that would alleviated an incoherent policy from continuing on because it relates to trade. With that, I yield the floor.

BROWN: thank you. I appreciate senator corker's comments. I guess I appreciate senator Toomey's a little less who tried to say that I was thinking that the people he's -- people's republic of china -- I said that china's government fights for its national interest by putting people to work and our trade policy since NAFTA, since PNTR, since CAFTA, many pushed by members of my party who stood up for have undermine domestic security. I reject that. But I appreciate senator corker's comments about voting on this. You know, is this a major change in policy with no legislative hearings, with no real discussion or debate. It's a bit rich when the majority party talks about us not allowing votes when start with the supreme court nominee of three years ago and all the times we tried to do a transportation bill important in our banking committee, senator corker, as you know, you weren't a support of the obstruction, but I find it a bit rich. Senator hatch said he wants to do hearing to do what he understands what it would mean to roll back trade remedies like 232. We lost 7,000 jobs in the steel industry in my state. I don't know the number in western and central Pennsylvania in senator Toomey's state. But I want to move quickly on having these real discussions and real debates. Having a vote on a bill that nobody really understands except it's really reacting to the President's sometimes bungled positions and attempts on trade enforcement. And I share that frustration. I'm his ally on this. I've been frustrated, too, at the back and forth and which countries are in and which countries



are out. Fundamentally, tariffs are a temporary tool. They're not a trade policy used by the President in this case to force a discussion and a real policy about what to do with china excess capacity where half the world's steel can be made in one country and they put people to work and undermine international trade laws by doing it. People in my state have paid the price as they have all over the country.

CORKER: madam President? 60 more seconds? This amendment has nothing to do with china. This amendment deals with Canada, Mexico, our European allies, and other countries. And I guess when we go back home this week and we talk to our constituents and they talk with us -- I had a member of the UAW. write a letter to the editor thanking me for these efforts that are under way to stop these tariffs take are keeling the automobile industry -- killing the automobile industry that are -- or will kill the automobile industry that exist in Ohio and Tennessee, but I guess what I'll tell them is, well, we couldn't vote on a simple measure that would allow congress to vote up or down on tariffs that the President negotiates, but what we're going to do while you lose your jobs, while you pay 25% more for steel and aluminum, why these industries go away, I'll tell them, well, we're going to have hearings. With that, I yield the floor.

From: Greer, Jamieson L. EOP/USTR

Sent: Wednesday, June 27, 2018 12:03 PM

To: Griffin, Payne P. EOP/USTR < Garrison.P.Griffin@ustr.eop.gov>

Subject: Fwd: Corker

Pls watch if possible

Sent from my iPhone

Begin forwarded message:

From: "Todd, Nora (Brown)" (b) (6) brown.senate.gov>

Date: June 27, 2018 at 11:56:42 AM EDT

To: "Greer, Jamieson L. EOP/USTR" < Jamieson.L. Greer@ustr.eop.gov>

Cc: "Jackson, Christopher L. EOP/USTR" < Christopher.L.Jackson@ustr.eop.gov

Subject: Re: Corker

Live uc happening now in case you want to watch Cspan

Sent from my iPhone



Re: CTG - Flash 232 read-out

From: dennis.c.shea@ustr.eop.gov

To: "Greer, Jamieson L. EOP/USTR" <jamieson.l.greer@ustr.eop.gov>

Cc: "Vaughn, Stephen P. EOP/USTR" < stephen.p.vaughn@ustr.eop.gov>

Date: Tue, 03 Jul 2018 18:07:52 -0400

Brazil also spoke out at the mini-ministerial in Paris, as I recall.

Sent from my iPhone

On Jul 3, 2018, at 5:55 PM, Greer, Jamieson L. EOP/USTR < <u>Jamieson.L.Greer@ustr.eop.gov</u>> wrote:

So Brazil and Korea spoke out against 232 even though they received quotas...

From: Shea, Dennis C. EOP/USTR Sent: Tuesday, July 3, 2018 5:08 PM

To: Vaughn, Stephen P. EOP/USTR < Stephen.P.Vaughn@ustr.eop.gov; Greer, Jamieson L. EOP/USTR

<<u>Jamieson.L.Greer@ustr.eop.gov</u>> **Subject:** Fwd: CTG - Flash 232 read-out

FYI. Summary below of the 232 interventions at today's meeting of the WTO's Council on Trade in Goods. Our representative at the meeting, Kelly Milton, (b) (5)

Sent from my iPhone

Begin forwarded message:

From: "Wilson, Christopher S. EOP/USTR" < Christopher S Wilson@ustr.eop.gov>

Date: July 3, 2018 at 3:27:33 PM EDT

To: "Milton, Kelly K. EOP/USTR" < Kelly K. Milton@ustr.eop.gov>

Cc: "Shea, Dennis C. EOP/USTR" < <u>Dennis.C.Shea@ustr.eop.gov</u>>, "Shackleford, Dawn M. EOP/USTR" < <u>Dawn Shackleford@ustr.eop.gov</u>>, "Morrow, Cara M. EOP/USTR" < <u>Cara Morrow@ustr.eop.gov</u>>,

"Millan, Juan A. EOP/USTR" < Juan Millan@ustr.eop.gov > , "Motwane, Jai Y. EOP/USTR"

<Jai Motwane@ustr.eop.gov>, "Pagan, Maria L. EOP/USTR" <Maria Pagan@ustr.eop.gov>,

"Sanford, Jim C. EOP/USTR" < <u>James Sanford@ustr.eop.gov</u>>, "Johnson, Joseph M. EOP/USTR"

<Joseph M. Johnson@ustr.eop.gov>, "Rogers, Erin F. EOP/USTR" < Erin F Rogers@ustr.eop.gov>

Subject: Re: CTG - Flash 232 read-out

Thanks Kelly. Again - very well handled on the points of order.

Sent from my iPhone

On Jul 3, 2018, at 3:13 PM, Milton, Kelly K. EOP/USTR < Kelly K. Milton@ustr.eop.gov wrote:

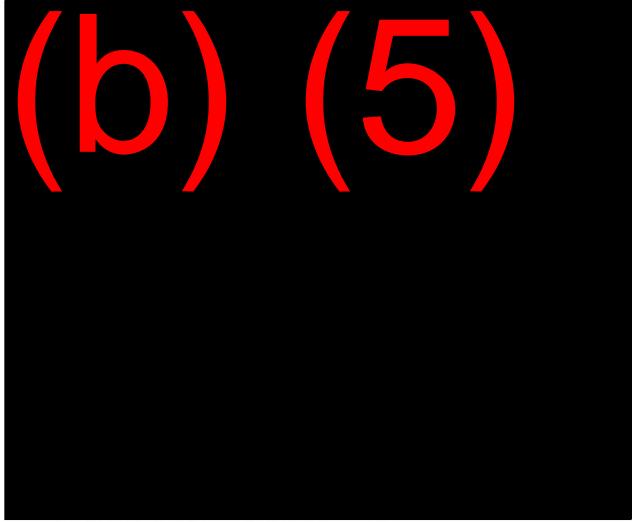


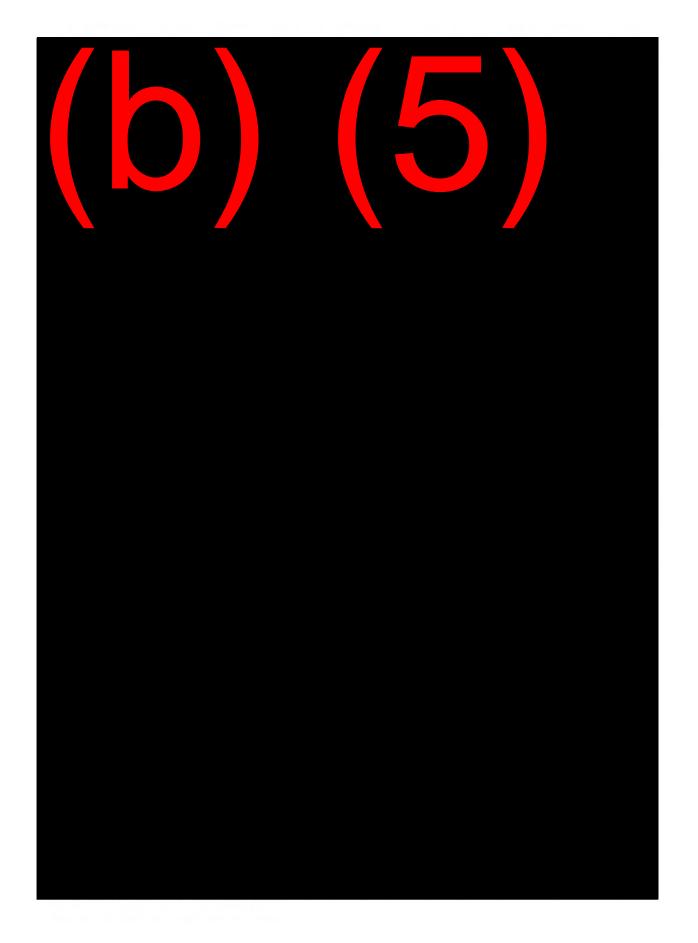
Here is a flash read-out specifically on the 232 item on today's CTG agenda. My full notes from the item are embedded below. I also expect to get some of the full interventions, but if there are any of particular interest, please let me know and I'll make sure to get those.

Flash read-out:



Full notes on Item 10 – Section 232:











Thank you and follow up from last week

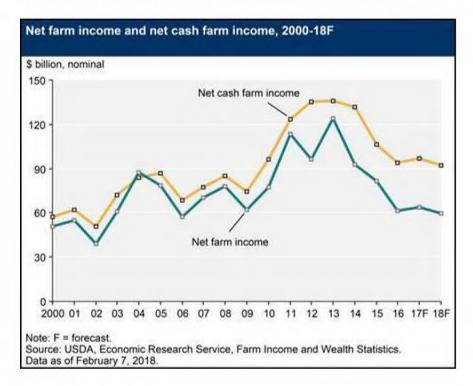
From: "Ernst, Joni (Ernst)" (b) (6) ernst.senate.gov>

To: "Lighthizer, Robert E. EOP/USTR" < (b) (6) @ustr.eop.gov>

Date: Wed, 11 Jul 2018 18:09:18 -0400

Ambassador Lighthizer,

Thank you again for taking the time to connect last week. I really appreciate your assurance that agriculture, which drives lowa's economy, is an integral part of the conversation when negotiating trade policy. As we discussed, ongoing NAFTA negotiations and the escalation of trade tensions around the world are having a profound impact on Iowans. With \$977 million in Iowa exports threatened by new tariffs, I encourage you to press forward and close trade deals as soon as possible. Knowing China is a longer term deal to be made, let's focus attention on other countries, Japan for example, so we can give folks back home some certainty and optimism before harvest begins this fall. That being said, I also want to pass along a handful of statistics as a reminder of the real-life impact trade uncertainty has on farmers, ranchers and rural communities across Iowa. Please know I stand ready to assist you and the Administration going forward and I strongly share the President's desire to hold China accountable.



Farm Income

- According to USDA, net farm income is forecast to slump to a 12-year low, decreasing \$4.3 billion (6.7%) to \$59.5 billion in 2018. In lowa, net farm income fell by over half last year.
- Declining farm income has a widespread impact, specifically on jobs. With earnings in more metropolitan parts of the state rising, people are abandoning rural communities.



• Rural areas need people, and with unemployment very low and labor force participation high, the real threat is having enough people to fill open jobs.



Soybean Futures (August 2018)

- CBOT August soybean futures hit a contract low today, closing at \$8.33 a bushel. lowa exported nearly \$2 billion in soybeans to China in 2016, which made up 4% of the state's economy.
- According to a Purdue University study conducted in March, a 25% tariff imposed by China on U.S. soybean imports would result in a 65% decline in soybean exports. Total U.S. soy exports would drop by 37% while U.S. soybean production would decline by 15%.
- Chad Hart with Iowa State University Extension estimates Iowa soybean farmers stand to lose up to \$624 million due to tariffs implemented by China.





Lean Hog Futures (August 2018)

- CBOT August lean hog futures have dropped 16.8% since March 1. lowa pork producers market approximately 50 million hogs each year, which represents one-third of the nation's production.
- Based on volume, Mexico is the largest export market for U.S. pork, followed by China/Hong Kong. After China and Mexico imposed additional tariffs last week, 40% of total U.S. pork exports are now under retaliatory tariffs.
- Iowa State University economist, Dermott Hayes, calculated that from early March, when rumors of China's initial retaliatory tariff began, through May, producers lost \$18 per hog, or more than \$2 billion on an annualized basis. As of June 1, Mexico's tariffs alone cost Iowa producers about \$560 million according to Dr. Hayes.



Readout: Demarty-Shea meeting, July 12

From "Wilson, Christopher S. EOP/USTR" <christopher_s_wilson@ustr.eop.gov>

"Shackleford, Dawn M. EOP/USTR" <dawn_shackleford@ustr.eop.gov>, "Morrow, Cara M.

EOP/USTR" <cara_morrow@ustr.eop.gov>, "Mullaney, Dan D. EOP/USTR"

<daniel_mullaney@ustr.eop.gov>, "Weiner, David A. EOP/USTR" <david weiner@ustr.eop.gov>, "Kalutkiewicz, Katherine R (USEU)"

<kalutkiewiczkr@state.gov>, "Millan, Juan A. EOP/USTR" <juan_millan@ustr.eop.gov>,

"Beeman, Michael L. EOP/USTR" <michael_I_beeman@ustr.eop.gov>, "Malmrose, Roy A.

To: EOP/USTR" <roy_malmrose@ustr.eop.gov>, "Vaughn, Stephen P. EOP/USTR"

<stephen.p.vaughn@ustr.eop.gov>, "McCartin, Terry J. EOP/USTR"

<terry_mccartin@ustr.eop.gov>, "Chen, Philip D. EOP/USTR"
<philip_d_chen@ustr.eop.gov>, "Motwane, Jai Y. EOP/USTR"

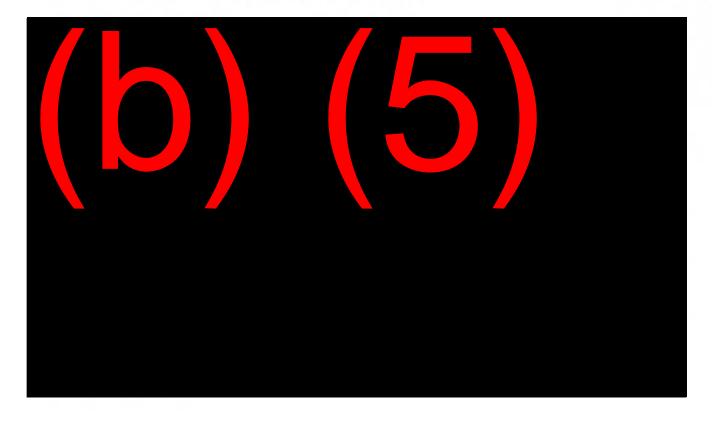
<jai motwane@ustr.eop.gov>, "Johnson, Joseph M. EOP/USTR"

<joseph_m._johnson@ustr.eop.gov>

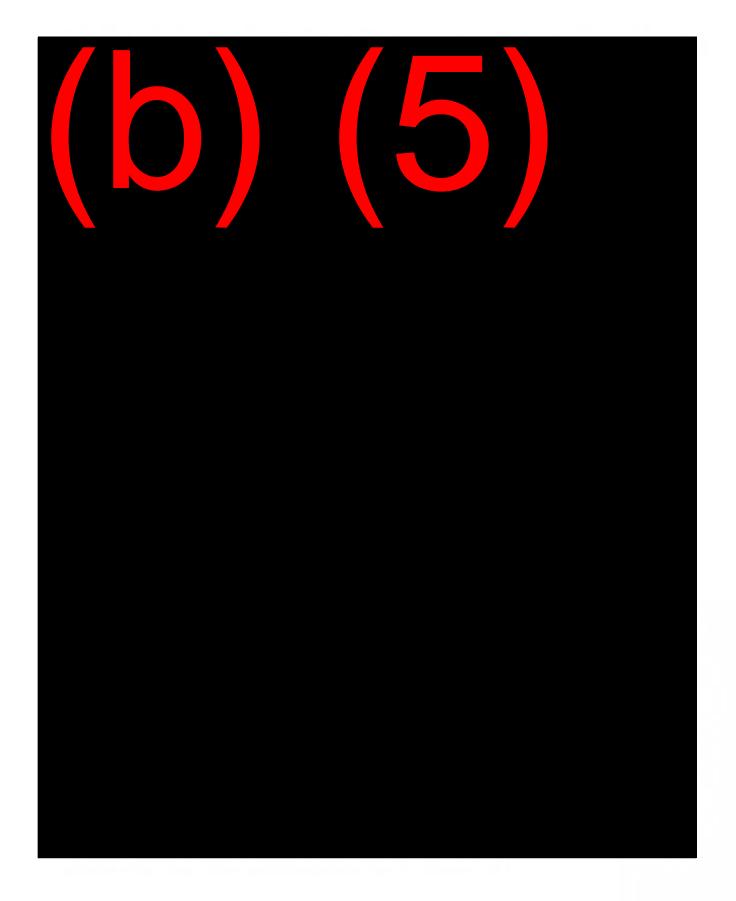
Cc: "Shea, Dennis C. EOP/USTR" <dennis.c.shea@ustr.eop.gov>

Date: Thu, 12 Jul 2018 08:28:23 -0400

Ambassador Shea met with Jean-Luc Demarty (accompanied by Vanheukelen and Redonnet) this morning in Geneva for a little more than 30 minutes. As summarized below, the following topics were covered: (b) (5) addition, Amb. Shea provided a heads-up about the China-focused paper that the U.S. has submitted for discussion at the July 26 meeting of the WTO General Council.









RE: 回复: Up Date, June 26, 2018::::Need Guidance of Milk and Milk Based imports to China from USA....Organic Certificate Required Information

From "Hurst, Joan E. EOP/USTR" < joan_e_hurst@ustr.eop.gov>

To: "Bomer Lauritsen, Sharon E. EOP/USTR" <sharon_e_bomerlauritsen@ustr.eop.gov>,

"Doud, Gregory F. EOP/USTR" < gregory.f.doud@ustr.eop.gov>

Date: Fri, 20 Jul 2018 09:04:03 -0400

That's great news!

Joan Hurst Director for Agricultural Affairs Office of the U.S. Trade Representative

Office: (202) 395-6117

Email: joan hurst@ustr.eop.gov

From: Bomer Lauritsen, Sharon E. EOP/USTR

Sent: Friday, July 20, 2018 9:03 AM

To: Doud, Gregory F. EOP/USTR < Gregory.F.Doud@ustr.eop.gov>; Hurst, Joan E. EOP/USTR

<Joan_E_Hurst@ustr.eop.gov>

Subject: RE: 回复: Up Date, June 26, 2018::::Need Guidance of Milk and Milk Based imports to China

from USA....Organic Certificate Required Information

Yeah!

From: Doud, Gregory F. EOP/USTR Sent: Friday, July 20, 2018 9:00 AM

To: Bomer Lauritsen, Sharon E. EOP/USTR <Sharon E BomerLauritsen@ustr.eop.gov>; Hurst, Joan E.

EOP/USTR <Joan_E_Hurst@ustr.eop.gov>

Subject: Fwd: 回复: Up Date, June 26, 2018::::Need Guidance of Milk and Milk Based imports to China

from USA....Organic Certificate Required Information

Sent from my iPhone

Begin forwarded message:

From: "Scott, Ryan R" < Ryan. Scott@fas.usda.gov>

Date: July 20, 2018 at 6:40:25 AM EDT

To: Jim Costa (b) (6) sneakz.com>, "Doud, Gregory F. EOP/USTR"



Subject: RE: 回复: Up Date, June 26, 2018::::Need Guidance of Milk and Milk Based imports to China from USA....Organic Certificate Required Information

Jim: Congratulations on your success! As always, please let us know if you ever need our assistance in the market.

Regards,

Ryan R. Scott 高瑞恩 Director of Agricultural Trade Office Shanghai 美国驻上海总领事馆农业贸易处,主任 covering East China: Shanghai, Zhejiang, Anhui, Jiangxi, Jiangsu and Hubei Provinces 辖区-华东地区:上海,浙江省、安徽省、江西省、江苏省及湖北省

(b) (6)

----Original Message-----

From: Jim Costa (b) (6) sneakz.com

Sent: Friday, July 20, 2018 6:33 PM

To: Doud, Gregory F. EOP/USTR; Babcock, Tyler (Shanghai); Scott, Ryan R

Cc: Jeff Robbins; Reese Costa; Steve Krueger; Cynthia Zhang; ktanzhihong; Susan Allen;

tony.hwang@cga.ct.gov; 王伟杰

Subject: RE: 回复: Up Date, June 26, 2018::::Need Guidance of Milk and Milk Based imports to China from USA....Organic Certificate Required Information

Greg, Scott as a follow up, exciting news, we officially received our China Organic Certificate! After 22 months, of rigorous effort we have finally succeeded. My God it was tough but we did it the right way.

Many thanks to the whole team especially Karen Tan, and Joyish Foodtech: Jay, Mr. Lee, and Hui. Great, great work. Now our real work starts which is to make, sell and deliver our great products to China! USDA team, Tyler, a nice little win for a little train that could. Greg I will call you once I am back in the states around August 3rd.

All the best. Thanks to all that had to put up with me these last 22 months with my frustration, disappointment and at times anger. Much appreciated. Jim

James Costa, Principal, Founder, Sneakz Organic, LLC (b) (6) sneakz.com, >www.sneakz.com < USA:561.529.3086 (O), USA (b) (6) (M) China:86-1312-782-2542 >http://sneakz.com < https://www.facebook.com/Sneakz?fref=ts < https://instagram.com/sneakz_organic/<



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Jim.

Thank you for your note. Very good news on China and good intel regarding Malaysia. I will pass this around internally.

Please keep in touch!

Best regards,

Gregory F. Doud Chief Agricultural Negotiator USTR

```
----Original Message----
From: Jim Costa b) (6) sneakz.com>
Sent: Tuesday, June 26, 2018 3:33 PM
To: Doud, Gregory F. EOP/USTR < Gregory.F.Doud@ustr.eop.gov>; Babcock, Tyler (Shanghai)
<Tyler.Babcock@fas.usda.gov>; Scott, Ryan R < Ryan.Scott@fas.usda.gov>
Cc: Jeff Robbins b) (6) sneakz.com>; Reese Costa b) (6) sneakz.com>; Steve Krueger b) (6) neakz.com>;
Cynthia Zhang b) (6) neakz.com>; ktanzhihong b) (6) 126.com>; Susan Allen
(b) (6) uspaacc.com>; tony.hwang@cga.ct.gov
Subject: [EXTERNAL] RE: 回复: Up Date, June 26, 2018::::Need Guidance of Milk and Milk Based imports to China from USA....Organic Certificate Required Information
```

All, we just finished our second inspection and our final application for our organic certificate has been submitted and indications are we will have it officially by end of July. After creating the milk drink category, adding gellan gum and monk fruit to approved ingredients list, etc.; over these past 21 months it looks like we are almost done, legally, in conformity and doing it "the right way".

Once we have it in hand will forward copy to all of you. Greg, let me stress the milk deficit is becoming significant in China and will continue to increase. This should be a major opportunity for the USA, which has the highest quality milk, Dairy products in the world today. Let's not give up this market to the bloody Australian, New Zealanders, and Germans. We should be the leader and it makes sense that we should be a significant exporter to China on Dairy with our cows output of 35 kg per day plus versus East Asia/ China with 12, maybe 15 kg per day.



In addition, post my visit to Malaysia, and being told several times that New Zealand and Australia have the allocation for all milk imports , or USA milk is not approved, or some other nonsense from various authorities in Malaysia , I was able finally to gain clearance to import into Malaysia as UHT Milk product with not need for Appling for an allocation. This is a country desperate for some form of quality milk products, my God , my sampling of various forms of dairy was puzzled on what was considered fresh milk, the poor quality, less than fair tasting, nutritional levels less then acceptable. With that said, why are we not all over this with a country of 30 million which can only produce 5, 7% of their milk, with output per cow per day ranging from 5 to 12 kg per day. Extremely in adequate output.

Again, this would appear to be a significant opportunity with some effort and support for our dairy industry here in the USA.

We will continue to push, however we are small, but should not major milk producer be getting help and be encourage to enter a market like Malaysia.

Would like to hear your folks thoughts and comments on the above.

Thank you and Jeff and I will keep you posted on our progress. Cheers, Jim

James Costa, Principal, Founder, Sneakz Organic, LLC (b) (6) sneakz.com, >>www.sneakz.com << USA:561.529.3086 (O), USA(b) (6) (M) China:86-1312-782-2542

>>http://sneakz.com<<

>>https://www.facebook.com/Sneakz?fref=ts<<

>>https://instagram.com/sneakz_organic/<<

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----Original Message----

From: Jim Costa

Sent: Sunday, June 10, 2018 9:51 PM To: gregory.f.doud@ustr.eop.gov

 $\label{eq:cc:babcock} \textbf{Cc: Babcock}, \textbf{Tyler}. \textbf{Shanghai}) < \underline{\textbf{Tyler.Babcock} @ fas. usda. gov} > ; \textbf{Scott}, \textbf{Ryan}. \textbf{R} < \underline{\textbf{Ryan.Scott} @ fas. usda. gov} > ; \textbf{Jeff}$

Robbins < jeff@sneakz.com>

Subject: FW: 回复: Need Guidance of Milk and Milk Based imports to China from USA....Organic Certificate Required Information

Greg, hope your travels have been constructive, I am sure a busy week for you. Please see below and if possible noodle over who could help best, coupled with a new administration in Malaysia, feels like a good window to open up their market.

What ever you can do to help greatly appreciated.

Also, thank you for taking the time to speak with me in Beijing.

Cheers, Jim

James Costa, Principal, Founder, Sneakz Organic, LLC (b) (6) sneakz.com, >>www.sneakz.com<</p>
USA:561.529.3086 (O), USA (b) (6) (M) China:86-1312-782-2542 >>http://sneakz.com<</p>

>>https://www.facebook.com/Sneakz?fref=ts<<

>>https://instagram.com/sneakz_organic/<<



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```
----Original Message----
From: Jim Costa
Sent: Sunday, June 10, 2018 9:37 PM
                                                                         mail.com>; Karen Tan
To: 'Scott, Ryan R' < Ryan.Scott@fas.usda.gov >; James Costa (b) (6)
                                                                           qq.com>
         <u>hotmail.com</u>>; 'XKLee' <(b) (6) <u>oqq.com</u>>; '±kill3'(b) (6)
Cc: Reese Costa (b) (6) sneakz.com>; Steve Krueger (b) (6) sneakz.com>; 'Jeremiah Roberts'
              gmail.com>; reneelian(b) (6)
                                                 ; Jeff Robbins (b) (6) neakz.com>; Cynthia Zhang
           neakz.com>; Inouye, Abraham L (Beijing) < Abraham.Inouye@fas.usda.gov>; Babcock, Tyler
(Shanghai) <Tyler.Babcock@fas.usda.goy>; Ward, Michael J (Beijing) <Michael.Ward@fas.usda.goy>
Subject: RE: 回复: Need Guidance of Milk and Milk Based imports to China from USA....Organic Certificate
Required Information
```

Scott, Tyler(hope all is well).... was in Malaysia this past week, with NSK, and Lucky Foods both relatively large firms in Malaysia. They (the country) can only produce about 5% of their requirement, yet this market is, it appears, to be controlled by New Zealand and Australia(imports).

Key question, do we have a allocation for diary to Malaysia, like Australia, and New Zealand, and if not why not? Also, they have no duty, tariff and we have 15% plus, but it appears we have no allocation as Americans. Finally, what is the USA point of view who can help us with importing to Malaysia and who would know what we can do and not do? Many thanks, Jim

James Costa, Principal, Founder, Sneakz Organic, LLC (b) (6) sneakz.com, >>www.sneakz.com<< USA:561.529.3086 (O), USA:(b) (6)

(M) China:86-1312-782-2542 >>http://sneakz.com<<

>>https://www.facebook.com/Sneakz?fref=ts<<

>>https://instagram.com/sneakz_organic/<<

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```
----Original Message-----
From: Scott, Ryan R < Ryan. Scott@fas.usda.gov>
Sent: Friday, March 23, 2018 8:55 PM
To: Jim Costa (b) (6) sneakz.com>; James Costa (b) (6)
                                                         @gmail.com>; Karen Tan
         otmail.com>; 'XKLee' (b) (6) qq.com>; '±kill3' (b) (6)
                                                                       qq.com>
Cc: Reese Costa (b) (6) sneakz.com>; Steve Krueger (b) (6) sneakz.com>; 'Jeremiah Roberts'
             gmail.com>; reneeliar(b) (6); Jeff Robbins(b) (6) sneakz.com>; Cynthia Zhang
```



(Shanghai) < need Guidance o Milk and Milk Based imports to China from USA....Organic Certificate Required Information

Per your below email, milk and milk products are NOT listed in MOFCOM's recent announcement.

R. Scott Director, ATO Shanghai

Sent from my BlackBerry 10 smartphone.

Original Message From: Jim Costa

Sent: Friday, March 23, 2018 23:52

To: James Costa; Karen Tan; 'XKLee'; '±kill3'

Cc: Reese Costa; Steve Krueger; 'Jeremiah Roberts'; reneelian@(b) (6); Jeff Robbins; Cynthia Zhang; Scott,

Ryan R; Inouye, Abraham L (Beijing); Babcock, Tyler (Shanghai)

Subject: RE: 回复: Need Guidance o Milk and Milk Based imports to China from USA....Organic Certificate

Required Information

Ryan, based on the new "Quasi" trade war with China and the USA, is milk or milk based products impacted in any way? Please advise and thank you. Jim

Current Location: Home > Press Release > News Spokesperson Talks The Spokesman of the Ministry of Commerce made a statement on China's release of the list of suspended concessions for U.S. imported steel and aluminum products 232 measures

[Tai Zhong small] [correction] Source: Ministry of Commerce Press Office 2018-03-23 07:00 Article Type: Original Category: News

On March 23, 2018, the Ministry of Commerce issued a list of discontinuation concessions for US imports of steel and aluminum products 232 measures and solicited public opinions, intending to impose tariffs on certain products imported from the United States, in order to balance the Aluminum products impose tariffs on losses caused by Chinese interests. The spokesperson of the Ministry of Commerce made a statement on this.

This list tentatively contains 7 categories and 128 tax products. According to the 2017 statistics, it involves US exports to China of about 3 billion US dollars. The first part covers a total of 120 taxes involving US\$977 million in US exports to China, including fresh fruit, dried fruit and nut products, wine, modified ethanol, American ginseng, and seamless steel pipes, and is expected to impose a 15% tariff. The second part covers a total of eight taxes involving US\$1.992 billion of US exports to China, including pork and processed products, recycled aluminum, etc., and a 25% tariff is proposed.

The fact that the United States imposed tariffs of 25% and 10% on imported steel and aluminum products on the grounds of "national security" actually constitutes a safeguard measure. According to the relevant provisions of the WTO Agreement on Safeguard Measures, China has formulated a list of suspension of concessions. If China and the United States fail to reach a trade compensation agreement within the stipulated time, China will exercise the right to suspend concessions for the first part of the product; China will implement the second part list after further evaluating the impact of the US measures on China. China reserves the right to adjust measures based on actual conditions and will implement the necessary procedures in accordance with relevant WTO rules.



The United States' practice of restricting the import of products based on "national security" has severely damaged the multilateral trade system represented by the WTO and seriously interfered with the normal international trade order. It has been opposed by many WTO members. The Chinese side also negotiated with the United States through multiple levels and channels, and will take legal actions under the WTO framework to jointly maintain the stability and authority of multilateral trading rules with other WTO members.

As the world's two largest economies, China and the United States are the only correct choices for cooperation between the two countries. We hope that both sides will proceed from the overall interests of China and the United States, focus on each other, focus on cooperation, control differences, and jointly promote the healthy and stable development of China-US economic and trade relations. China urges the United States to resolve China's concerns as soon as possible, resolve differences through dialogue and consultation, and avoid harming the overall situation of Sino-U.S. cooperation.

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James Costa, Principal, Founder, Sneakz Organic, LLC (b) (6) neakz.com, >>www.sneakz.com<<
USA:561.529.3086 (O), USA (b) (6) (M) China:86-1312-782-2542 >>http://sneakz.com<<
>>https://www.facebook.com/Sneakz?fref=ts<<
>>https://instagram.com/sneakz_organic/<<
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-----Original Message-----
From: James Costa (b) (6) gmail.com>
Sent: Friday, February 16, 2018 2:44 PM
To: Jim Costa <<u>jcosta@sneakz.com</u>>; Karen Tan (b) (6) hotmail.com>; 'XKLee' (b) (6) qq.com>;
'±kill3' (b) (6) qq.com>
Cc: Reese Costa <(b) (6) sneakz.com>; Steve Krueger <(b) (6) neakz.com>; 'Jeremiah Roberts'
(b) (6) gmail.com>; reneeliar (b) (6) gmail.com>; Cynthia Zhang (b) (6) sneakz.com>; 'Scott, Ryan R' < Ryan.Scott@fas.usda.gov>; 'Inouye, Abraham L (Beijing)'
< Abraham.Inouye@fas.usda.gov>; 'Babcock, Tyler (Shanghai)' < Tyler.Babcock@fas.usda.gov>
Subject: RE: 回复: Organic Certificate Required Information
```

Everyone happy new year and hopefully everyone is having a great holiday. Lets regroup post the holiday around the 23rd. In the mean time wishing very one good health, good family and good fortune. Cheers, Jim

```
James J. Costa, cell: (b) (6)
(b) (6) gmail.com
>>www.sneakz.com<<
>>www.sepmchina.com.cn<<
----Original Message----
From: Jim Costa (b) (6)
                           @sneakz.com
Sent: Sunday, February 11, 2018 1:27 PM
                                                      @qq.com>; ±kill3 (b) (6)
                                                                                   oqq.com>
To: Karen Tan (b) (6)
                      hotmail.com>; XKLee (b) (6)
                                                    neakz.com>; Jeremiah Roberts
                      neakz.com>; Steve Krueger (b)
Cc: Reese Costa (b)
                                              ; Jeff Robbins < jeff@sneakz.com>; Cynthia Zhang
           @gmail.com>; reneelian(b) (6)
          neakz.com>; Scott, Ryan R < Ryan.Scott@fas.usda.gov>; Inouye, Abraham L (Beijing)
```



<<u>Abraham.Inouye@fas.usda.gov</u>>; Babcock, Tyler (Shanghai) <<u>Tyler.Babcock@fas.usda.gov</u>>; James Costa <<u>jimcosta50@gmail.com</u>>

Subject: RE: 回复: Organic Certificate Required Information

Well this is very unfortunate, not sure I understand this? Since we are not the cause of delay why would this be necessary. I would suggest we request a waiver to avoid this for now, plus we need to have a conference call on this. Mr. Li when can we have a call, however we need to submit application for certificate now, regardless of site visit.

Puzzling how this comes up now after all this time, my people are concerned why now since we have been following up and your organization and you have stated for us not to push so hard and we end up with this. Not the best view of W.I.T. in bringing this up now. Also, if we knew this before we would have submitted our application earlier before the time ran out... Jim Regardless, we need to have a call with you, Mr. Wang, Karen and my team. What is best time for a call.

Tyler, Ryan and Abe have you ever heard of such a thing, we have done everything and when ever we get near something else comes up, incredible....

Happy bloody Chinese New Year, son of a biscuit!

James Costa, Principal, Founder, Sneakz Organic, LLC (b) (6) sneakz.com, >>www.sneakz.com << USA:561.529.3086 (O), USA:2(b) (6) (M) China:86-1312-782-2542 >>http://sneakz.com <<

>>https://www.facebook.com/Sneakz?fref=ts<<

>>https://instagram.com/sneakz_organic/<<

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----Original Message----
From: Tan Karen (b) (6) hotmail.com

Sent: Saturday, February 10, 2018 9:30 PM
To: XKLee (b) (6) qq.com>
Cc: (b) (6) sneakz.com; (b) (6) gmail.com; Steve Krueger < (b) (6) sneakz.com>; Jeremiah Roberts
(b) (6) gmail.com>; reneeliar(b) (6)
Subject: 答复: 回复: Organic Certificate Required Information

Mr. Lee,
Thanks for your effort on trying! Sorry to hear that we will still need on site audit Let's connect after the Chinese
```

Thanks for your effort on trying! Sorry to hear that we will still need on site audit Let's connect after the Chine New Year for the next step.

Best Regards Karen Tan

Dear Karen,

We have discussed about your certificate situation, and there should be have additional on-site inspection



according to the regulation, because the CB need issue certification for customer no more than 3 months after the on-site inspection, sorry for the inconvenient.

We will start Spring Festival from today, and start office at 24th Feb, we can discuss how to organize the on-site inspection tour when we start the office, just suggest maybe after the new standard issued would be better, because everything have confirmed.

Thanks and best regards!

.

李小奎 1 Li Xiaokui

TEL: +86-571-87711576 FAX: +86-571-87902310

MP: (b) (6)

杭州万泰认证有限公司1WIT ASSESSMENT

杭州市滨江区江虹路1750号信雅达国际创意中心1幢14楼,邮编310052

14 Floor, International Sunyard,

No.1750 Jianghong Avenue, Binjiang District, Hangzhou, China, 310052

------ 原始邮件 ------

发件人: "zhhtan'(b) (6) hotmail.com>; 发送时间: 2018年2月9日(星期五) 凌晨4:50

收件人: "XKLee"(b) (6) qq.com>;

抄送: '(b) (6) neakz.com'(b) (6) @sneakz.com>; (b) (6) @gmail.com'(b) (6) gmail.com>;

(b) (6) neakz.com'(b) (6) @sneakz.com>; '(b) (6) @gmail.com'(b) (6) @gmail.com>; 'reneelian(b) (6) < reneelian(b) (6)

主题: Organic Certificate Required Information

Dear Mr. Li.

Please find the attachements for your management review meeting this morning.

- Final specification with formula
- -Singed Confirmation Organic Plan
- -Singed Inspection plan

Thanks for your support!

Look forward to the good news.

Best Regards

Karen Tan



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RE: CJS Hearing

From: "Lefton, Madeline (Murkowski)" (b) (6) murkowski.senate.gov>

To: "Doyle, Brett W. EOP/USTR"

'brett.w.doyle@ustr.eop.gov>

Date: Tue, 24 Jul 2018 16:08:32 -0400

Hey Brett—I'm glad you reached out. We're coordinating what she'll say in subcommittee this week and things are a bit heated for us right now in light of the \$12B of help announced by USDA for Ag. That's a dig to us b/c seafood is an agricultural product but as far as we could tell seafood was left out of that discussion—we're trying to get in touch with USDA right now to correct that.

The major issues to be prepared for are seafood and energy products.

I think my boss will say something along the lines of "we'd prefer a marketplace where subsidies aren't necessary" (easy to undermine b/c that's the whole point of the Admin's effort, but detailing how you're seeing behavior change from trade partners so far would be an awesome counter.)

Regarding seafood, what we keep seeing is that China has put a tariff in retaliation on unprocessed seafood products but keeps excluding processed products, and we want to make sure we don't then unilaterally put a tariff on processed seafood since china keeps avoiding that.

Regarding energy products, again, both the Admin. and china have identified LNG/natural gas as a way to close the trade deficit, so detailing how that's part of USTR's calculus would be helpful. And more generally, being able to detail USTR's plans for energy market impacts.

Here's excerpts from a letter we sent to the Admin:

China is the largest trading partner for Alaska seafood and a major reprocessing center for U.S. seafood, producing products that are ultimately destined for the U.S. domestic market. Fish and shellfish harvested in Alaska are often sent to China for processing before being reimported to the United States, where they provide Americans with a source of sustainable, nutritious seafood while supporting our strong commercial fishing industry. We were thankful to see that China's trade ministers did not impose tariffs on Alaska seafood imported for reprocessing. This has preserved a critical link in the supply chain for our seafood industry, allowing our catch to be processed quickly and efficiently before re-importation for domestic distribution.

Seafood imports from China under consideration for U.S. tariffs total approximately \$2.7 billion (2017). Alaska is an important source of raw materials for many products on the list, and as such, we remain concerned that the escalation of punitive trade measures between the United States and China risks further damage to Alaska's fishing and seafood industries.

From: Doyle, Brett W. EOP/USTR <Brett.W.Doyle@ustr.eop.gov>

Sent: Tuesday, July 24, 2018 2:41 PM

To: Lefton, Madeline (Murkowski) (b) (6) @murkowski.senate.gov>

Subject: CJS Hearing



Hi Madeline,

Hope you're doing well. As you know, Ambassador Lighthizer is testifying before the Senate Approps CJS subcommittee this week. Can you share the questions that you anticipate your boss will raise?

Thanks for the help,

Brett



Brett Doyle
Senior Director for Congressional Affairs
The Office of the United States Trade Representative
Executive Office of the President
Brett.w.doyle@ustr.eop.gov



RE: HODs interim flash #3

From: "Smith, Mary T. EOP/USTR" <mary_smith@ustr.eop.gov> "Morrow, Cara M. EOP/USTR" < cara_morrow@ustr.eop.gov>, "Wilson, Christopher To: S. EOP/USTR" <christopher_s_wilson@ustr.eop.gov> "Shea, Dennis C. EOP/USTR" <dennis.c.shea@ustr.eop.gov>, "Shackleford, Dawn M. EOP/USTR" <dawn shackleford@ustr.eop.gov>, "Milton, Kelly K. EOP/USTR" Cc: <kelly_k._milton@ustr.eop.gov>, "Bisbee, David F. EOP/USTR" <david_bisbee@ustr.eop.gov> Wed, 25 Jul 2018 10:54:50 -0400 Date: HODS notes clean 25 July 2018.docx (73.06 kB) Attachment Attached are my notes from yesterday's HODs. I integrated the various statement we received from the DPR network into this document as well. Thanks! Mary T. Smith U.S. Mission to the WTO +41 (0)22 749 52 68 desk mobile mary smith@ustr.eop.gov ----Original Message----From: Morrow, Cara M. EOP/USTR Sent: Tuesday, July 24, 2018 6:55 PM To: Wilson, Christopher S. EOP/USTR < Christopher_S_Wilson@ustr.eop.gov> Cc: Shea, Dennis C. EOP/USTR < Dennis.C. Shea@ustr.eop.gov>; Shackleford, Dawn M. EOP/USTR <Dawn Shackleford@ustr.eop.gov>; Milton, Kelly K. EOP/USTR <Kelly K. Milton@ustr.eop.gov>; Smith, Mary T. EOP/USTR <Mary Smith@ustr.eop.gov>; Bisbee, David F. EOP/USTR <David Bisbee@ustr.eop.gov> Subject: Re: HODs interim flash #3 Hope you and Mary are able to relax with an adult beverage tonight. Sounds necessary... > On Jul 24, 2018, at 12:48 PM, Wilson, Christopher S. EOP/USTR < Christopher S Wilson@ustr.eop.gov> wrote: > Went right up to 6 pm with, appropriately, Cuba as the final speaker. > Mary will clean up her notes, for the stout-hearted among us. > Mush for brains right now..... Dennis, you made the correct choice! > Sent from my iPhone >> On Jul 24, 2018, at 4:33 PM, Wilson, Christopher S. EOP/USTR < Christopher_S_Wilson@ustr.eop.gov> wrote:





Fwd: [EXTERNAL] Auto Round Table follow-up

From "Walters, Gregory M. EOP/USTR" <gregory.m.walters@ustr.eop.gov>

"Vaughn, Stephen P. EOP/USTR" <stephen.p.vaughn@ustr.eop.gov>, "Mahoney, C.J. J.

To: EOP/USTR" <curtis.j.mahoney@ustr.eop.gov>, "Greer, Jamieson L. EOP/USTR"

<jamieson.l.greer@ustr.eop.gov>, "Melle, John M. EOP/USTR" <john_melle@ustr.eop.gov>

Date: Thu, 02 Aug 2018 10:32:12 -0400

FYI

Begin forwarded message:

From: Charles Uthus (b) (6) __americanautocouncil.org>
Date: August 2, 2018 at 10:14:54 AM EDT

To: "Pataki, Tim A. EOP/WHO" (b) (6) __@who.eop.gov>, "Willems, Clete R. EOP/NSC"

(b) (6) __@nsc.eop.gov>, "Walters, Gregory M. EOP/USTR" < Gregory.M. Walters@ustr.eop.gov>,
"Heath.tarbert@treasury.gov" < Heath.tarbert@treasury.gov>, "MPlatt@doc.gov" < MPlatt@doc.gov>
Cc: Matt Blunt (b) (6) __americanautocouncil.org>, Nicholas Coutsos (b) (6) __americanautocouncil.org>,
Teddy Coin (b) (6) __americanautocouncil.org>
Subject: [EXTERNAL] Auto Round Table follow-up

Subject: [Efficient vill] fluto Round Table follow up

All,

Thank you for convening yesterday's auto round table discussion on trade policy. I have been closely involved in auto trade policy for nearly 25 years now and the group you brought together represented an unprecedented broad scope of the auto sector. I cannot recall so many stakeholders from the auto industry in the room at the same time and largely unified in their views.

While each of AAPC's member companies had an opportunity to speak, I did not, so as follow-up here are a few points I wanted to share:

First, I want to be clear that we share your goal of maximizing the strength and competitiveness of America's automotive sector. No other companies have as much at stake in the success of the U.S. auto sector than AAPC's member companies - FCA, Ford and GM. These three companies produce more of their vehicles, buy more of their parts, and conduct more of their R&D in the U.S. than their competitors. As a result, they employ nearly two out of three U.S. autoworkers and operate three out of five American auto assembly plants.

Our members are increasingly concerned with the layering of added costs on building cars/trucks in America and the high-level of uncertainty stemming from this Administration's trade policy actions and plans, including the steel/aluminum 232. China 301, Auto 232, and the incomplete negotiations to modernize NAFTA. As the burden of these policy changes pile on and the related uncertainty persists and grows, so does the unintended consequences. So, we strongly recommend expeditiously pursuing negotiated settlements and outcomes. We believe this is the only way to avoid a tit-for-tat trade fight where everyone loses.



Our top priority is getting and agreement modernizing NAFTA across the finish line as soon as possible. Of the various trade policy initiatives, NAFTA modernization is the most advanced and closest to conclusion. Once that is concluded, then turn your attention to addressing and completing the remaining issues. We expect that once the parties reach a principle agreement on modernization of NAFTA, that the 232 actions on steel and aluminum will be lifted and they will be exempt from any potential action on the auto 232. This is important in that we cannot wait for relief from the growing cost pressures as the longer more formal agreement approval process plays out.

We were encouraged with the results of the US-EU summit meeting last week, and expect that that process will eventually lead to a full US-EU FTA, including addressing auto tariffs and regulatory convergence. In the meantime, as the talks continue, we expect a suspension of steel and aluminum 232 tariffs, and exemption from the auto 232 tariffs. We look forward to working with the bilateral US-EU Working Group that was established to determine the scope and parameters of the bilateral talks.

We have deep concerns with the impact that higher tariffs stemming from an auto 232 action would have on the industry. These include the adverse impact on the ability of many Americans to afford purchasing cars and trucks in America, the expected net loss of American jobs, and the higher costs to build cars/trucks in the US - harming the global competitiveness of the U.S. auto sector. The submission we provided on the auto 232 and the testimony given by Governor Blunt, President of AAPC, at the auto 232 hearing provides more details, including the key data points you were looking for.

While we share the same goal - of a stronger U.S. auto sector - we are concerned that the imbricating layers of unintended costs and burdens from changes to trade policy outlined above will harm the industry more than any intended benefits we may receive.

You asked us to be constructive and offer solutions. To that end, we first recommend completing the NAFTA talks as soon as possible, which is so close to a conclusion. With regards to the remaining policy initiatives that impact the auto sector we offer, as we did with NAFTA, to partner with you to help achieve our common goals while avoiding the aforementioned negative consequences.

Thank you,

Charles

Charles D. Uthus
Vice President International Policy
1030 15th St. NW Suite 560W
Washington D.C. 20005
T. (202) 789-0030
F. (202) 789-0054
(b) (6) Americanautocouncil.org













[EXTERNAL]

From: "Pritzker, Tom" (b) (6) pritzkerorg.com>

To: "Lighthizer, Robert E. EOP/USTR" < (b) (6) @ustr.eop.gov>

Date: Tue, 07 Aug 2018 21:43:23 -0400

Bob,

On the first Sunday of each month I send a couple of curated readings to the Board of CSIS. Last week one of our scholars produced an interesting report following up on your 301 findings. Below is a link and what I sent to the Board.

Best, Tom

The trade war with China is not just about trade deficits. As Xi's industrial model develops, the US business community is increasingly aware of and concerned about China's asymmetrical trade practices. This is a national challenge that is not going away anytime soon. Here, Samm Sacks looks at one such practice. https://www.csis.org/analysis/how-chinese-cybersecurity-standards-impact-doing-business-china. In conjunction with this, in case you missed it, last week the WSJ published an essay reviewing the consequences of China's admission to the WTO. This gives context to the thinking of the current Administration with respect to trade with China. https://www.wsj.com/articles/when-the-world-opened-the-gates-of-china-1532701482

150 N. Riverside Plaza, Suite 3200 Chicago, IL 60606-1594

Office: (b) (6)
Please note new address

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[EXTERNAL] CSI letter to Ambassador Lighthizer re China services barriers

From: Shantell Isaac (b) (6) uscsi.org>

To: "Greer, Jamieson L. EOP/USTR" <jamieson.l.greer@ustr.eop.gov>

"Bahar, Daniel EOP/USTR" <daniel_bahar@ustr.eop.gov>, "Young, Stewart B.

Cc: EOP/USTR" <stewart.b.young@ustr.eop.gov>, "Walters, Gregory M. EOP/USTR"

Date: Wed, 08 Aug 2018 18:23:49 -0400

Attachment CSI Letter to Ambassador Lighthizer China Services Priorities August 2018.pdf

s: (287.14 kB)

Dear Jamieson,

On behalf of the Coalition of Services Industries (CSI), we write to confidentially transmit the attached letter to USTR Ambassador Lighthizer.

The letter, signed by CSI President Christine Bliss and on behalf of CSI members, highlights U.S. services priorities with China and outstanding obstacles faced when operating in the Chinese market.

We are available at your or the Ambassador's convenience to further discuss the content of the letter.

Thank you for your time, Shantell

Shantell Isaac

Coalition of Services Industries (CSI) Vice President (202) 289-1953t i(b) (6) Jusci.org





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The Honorable Robert Lighthizer United States Trade Representative 600 17th Street, NW Washington, D.C. 20508 USA

Dear Ambassador Lighthizer:

As the leading trade association that represents American services providers, we, the Coalition of Services Industries (CSI), write to express our concern that American services suppliers are not only faced with the challenges of major Chinese services trade and investment barriers, but also the risk posed by the potential of continuing escalation of U.S. tariffs imposed against China pursuant to Section 301.

CSI agrees that securing a more balanced, market-based and sustainable trade and economic relationship with China, including by reducing numerous discriminatory and unlevel playing field Chinese market access barriers, is a national priority. As you know, China was the second largest services export market for U.S. services providers in 2017, with \$56 billion in U.S. services exports and a \$38 billion services trade surplus. Since 2007, the services trade surplus with China has quadrupled. But this success is not guaranteed. We want to ensure that the pathway to removing China's trade barriers allows for the continued growth of the \$38 billion U.S. services trade surplus with China and supports our ability to maintain and grow the nearly 10 million American jobs that are supported by services trade and investment.

We seek your assurance that the interests of American services providers and workers are taken into account as the Administration's response to China moves beyond the Section 301 investigation and into a much broader trade discussion with China. A vibrant, expanding U.S. services sector is not only critical to services suppliers and their workers but also to all sectors of the U.S. economy, from the factory floor to the farm. Services support all businesses reach their goals to be more productive, reach more customers in more foreign markets and, ultimately, support a better livelihood through higher wages and greater opportunities. We have attached to this letter a list of some of the key trade and investment restrictions U.S. services providers face in the Chinese market.

We believe that these services and investment barriers, along with other Chinese market access challenges that U.S. companies face, can best be addressed by entering into negotiations under a transparent framework, with clear lines of negotiating authority, with clearly articulated objectives and timetables, including both near-term resolution of concrete issues and long-term systemic change. U.S. actions should also ensure consistency with international agreements and employ the use of multilateral dispute settlement, along the lines of the WTO challenge the Administration is pursuing regarding China's discriminatory licensing practices.



As the list of products subject to tariffs is expanded, American services suppliers and their customers will face further commercial damage due to increased costs of products used in the supply of their services in the United States, in addition to costs resulting from the disruption of global supply chains. The current tariff escalation also raises the risk of harm to U.S. services suppliers and exports from targeted, discriminatory, non-tariff and regulatory actions by Chinese authorities. Such actions would harm American employers and workers.

CSI and its members stand ready to work with you to craft a comprehensive and transparent approach to ensure that the full spectrum of barriers to U.S. services providers operating in China are addressed in a manner that results in meaningful action from China and minimizes the real threat of reciprocal punitive measures. CSI believes that a carefully calibrated approach with robust input from industry will facilitate efforts to reach the most positive outcome.

Last, we encourage the Administration to make use of and preserve the unparalleled U.S. economic position in the world by joining our allies to address the challenges that services (and other) companies face in China. By uniting with our global trading partners, we can ensure a winning resolution that benefits American services providers and workers.

We look forward to further engaging with you and your staff on these issues.

Sincerely,

Christine Bliss

President

Coalition of Services Industries

Clant Bli

bliss@uscsi.org



Services Issues for U.S. Businesses in China

August 2018

China is a \$400-billion market that is in the midst of transitioning into a service economy. Since 1999, total U.S. services exports to China have seen a 13-fold increase, which has resulted in the growth of the services trade surplus from \$1.3 billion to \$37.4 billion in 2016—a growth rate of nearly 2,800 percent in under two decades. Today, China is the second largest services export market for U.S. services providers. As the Chinese economy shifts and becomes more important for services providers, it is critical that the United States engage to increase opportunities for U.S. businesses in China. While China is a challenging market for many reasons, success there is paramount for U.S. companies and the U.S. government.

1) Cloud Services/Cross Border Data Services

Draft Chinese regulations, if implemented, combined with existing Chinese laws, would force U.S. cloud service providers to transfer valuable U.S. intellectual property, surrender use of their brand names, and hand over operation and control of their business to a Chinese company in order to operate in China. To address this, the United States should secure China's commitment that it will issue any guidelines necessary to allow U.S. cloud service providers to obtain and hold all necessary licenses for the operation and provision of cloud services in China, including related to software, hardware, facilities, and infrastructure; allow foreign investment in Chinese companies established to provide cloud services in China; allow U.S. cloud service providers to sign contracts for the provision of cloud services in China and use their trademarks and brands to market their cloud services; and allow U.S. cloud service providers to procure telecommunication services (including bandwidth) for the provision of cloud services on the same terms available to Chinese companies. China has also taken steps to narrow choices in the market for the provision of cross-border data services. In addition, China has reportedly blocked the ability of US companies operating in China from using cross-border virtual private network (VPN) services in conducting business. China should eliminate these obstacles to trade and investment.

2) Cyber Security Law (CSL)

- China implemented its CSL on June 1, 2017, along with other related regulations that create additional discriminatory barriers to U.S. services providers and broadly impose significant compliance burdens on companies across certain economic sectors through a broad and vaguely defined scope with respect to target industries for compliance and the requirements around data localization. The CSL contains a number of onerous requirements that restrict the use of digital services in China, including that all personal data and broadly defined critical information infrastructure data be stored domestically; subjecting U.S. companies to security reviews, including review of proprietary source code for information and communication technology (ICT) companies; and government review and approval of encryption measures. The law raises a number of significant obstacles for foreign businesses operating in China.
- 3) Foreign Equity Caps



- Access to China's insurance and retirement security markets remains difficult. Foreign insurers have less than a 5 percent cumulative market share in the third largest market in the world; U.S. investments are not yet authorized in enterprise annuities. Current Chinese regulation places a 50 percent cap on foreign equity in life, health, and pension companies, a restriction that has been in place since China's accession to the WTO in 2001. Removing this equity cap has been a top priority for the U.S. financial services industry for over a decade. In January 2017, China's State Council issued the "Circular on Several Measures to Expand the Opening-up and Actively Utilize Foreign Investment," which committed to lower entry restrictions on foreign investment in several services sectors, including insurance, banking, and securities. But, further action is needed to ensure proper implementation. At the end of 2017, China announced it would allow 51 percent foreign ownership in Chinese lifeinsurance companies in three years and lift that restriction entirely in five years. These plans for liberalization were accelerated in April 2018, with an announcement that the restriction will be removed entirely in three years. In May, China released draft regulations to allow 51 percent ownership in life insurance joint ventures; these regulations have not yet been finalized. In June, China's updated "Negative List" for inbound investment raised maximum foreign ownership to 51 percent. This is a welcome development and strong signal of liberalization from China, though follow-through and implementation are of utmost importance to ensure the equity cap is lifted in an effective manner.
- U.S. banks, securities, and other financial institutions are unable to compete on an equal footing with domestic institutions. Foreign banks are subject to a 20 percent investment ceiling (for single foreign shareholders) and a 25 percent investment limit (for multiple foreign shareholders) in local Chinese banks. Further, once a foreign-funded business in the banking sector is established, it is limited in its activity for two years. Following this waiting period, a business can expand the scope of the business, assuming it has met certain conditions, which includes holding over \$10 billion in total assets. There are also other restrictive regulations, including stipulations that foreign banks in China must work through branches, as opposed to subsidiaries. These restrictions have legal and economic impacts.
- In the securities sector, in November 2017, the Chinese State Council announced that US financial institutions will be permitted to own 51 percent of its joint venture, and, after three years, ownership restrictions will be lifted altogether. Raising the equity cap to 51 percent demonstrates progress, however, securities companies seek to ensure that China continues progress toward 100 percent ownership of operations in China. Although the securities regulator, China Securities Regulatory Commission (CSRC), published two consultations designed to implement the 51 percent equity cap commitment, firms continue to face significant hurdles. For example, the proposed financial requirement that controlling shareholders in a joint venture must have net assets of no less than RMB100 billion is very high, with only a few domestic securities companies, non-financial institutions and foreign investment banks being able to qualify. Additionally, securities joint ventures are restricted in the number of licenses they are able to transfer (just four on an annual basis) despite many foreign firms holding licenses to operate across many business lines.
- Furthermore, China prohibits foreign entities from creating wholly owned local audiovisual production studios.
- 4) Value-Added Telecommunications



• China's publication of a revised Telecom Services Catalog in December 2015 further expanded regulation and market access barriers to a host of new services not typically regulated, including cloud computing, content delivery networks, and online platforms (under a broadly written provision for "Information Services"). China needs to eliminate its joint venture requirements and foreign equity limits for foreign service suppliers, especially for Value-Added Telecommunications Services. It should also rationalize its classification of international data communications services to make it consistent with domestic IP VPN services so that both are classified as value added telecommunications services. China's problematic interpretation of the value-added services classification, high capitalization requirements for basic telecommunications services, lack of an independent regulator, and restrictions that specifically apply to non-Chinese companies for provision of value-added services remain key outstanding issues, including the provision of cross-border data services. Industry associations have raised this issue for some time, and there is support among World Trade Organization (WTO) members for China to address these barriers.

5) Electronic Payment Services (EPS) Licensing

- China has placed restrictions on foreign companies that provide EPS, only allowing a Chinese entity to process a payment that handles renminbi. This dispute was brought to the WTO, which ruled in the United States' favor in 2013, but further corrective action is needed. The People's Bank of China is effectively further restricting U.S. companies' already-limited market access in the cross-border/international space at a time when it should be moving to open China's domestic market. By restricting the issuance of new "dual-branded, dual-currency" (DBDC) cards, U.S. payments companies have already experienced declines in their reported DBDC volumes recently; it is estimated that this negative trend will continue.
- The 100 Day Plan's deliverable on EPS licensing is a positive step, but we will not know the
 real impact until licenses are actually approved and banks are issuing foreign brand cards for
 domestic use.

6) Bond and Settlement Licenses

• We appreciate the announcement following up on the 2016 S&ED commitments that China will expand opportunities for U.S. financial services firms to acquire settlement and underwriting licenses on a level playing field and transparent basis. We look forward to the follow through from China on granting these licenses in the near future.

7) Distribution Services

- Upon its accession to the WTO, China pledged to create a regulatory regime to permit "sales away from a fixed location", which referred to direct selling. When China finally published those regulations, it limited the ability of direct-selling companies to compensate natural persons for sales-management services. Recently, Vice Premier Wang Yang told U.S. executives that he would support an administrative interpretation of these regulations to permit such compensation. China has yet to move forward with these reforms. We ask that the United States urge Chinese officials to finalize these reforms.
- 8) Trade Facilitation and Port Services



A particularly important issue for any company looking to move goods into China—both for traditional sales and e-commerce—is to improve bureaucracy in Chinese ports. Streamlining and modernizing burdensome certification procedures and facilitating trade in key sectors would be tremendously important to create meaningful outcomes from the bilateral dialogues for American companies. If these issues are not addressed soon, they will act as a barrier to increased U.S. exports in the future. Our ability to export products to China at scale is often limited because Chinese ports continue to run paper-based systems that give discretion to individual port authorities for every transaction happening at port. This creates bottlenecks and opportunities for differentiated enforcement between ports. For example, labeling requirements or safety certification requirements might be significantly different for the same product at two different ports in China; alternatively, some products, like cosmetics or nutritional supplements, are unable in practice to enter the market due to overly burdensome registration requirements. We would recommend the U.S. government facilitate discussions with Chinese ports to upgrade China's customs procedures, using work industry and the U.S. government have done regarding single window procedures in the United States as a model. Sharing U.S. government experiences and working to streamline and regularize port procedures in China will have a meaningful impact on U.S. exports to China long term.

9) Online Video

- For several years, China's online video market was a bright spot for access of U.S. Television (TV) shows to China's consumers. Outside online delivery, China's TV market is one of the most tightly controlled in the world, discriminating against foreign content in numerous ways. A few years ago, China changed the rules for online video platforms, imposing a quota, and creating a new content review and approval scheme that effectively limited opportunities for U.S. TV shows, substantially curtailing the number of U.S. TV shows licensed to China's online video platforms and effectively eliminating "day and date" releases in China.
- China should eliminate the quota or at least slow exceptions for certain types of services; convert the new prior content approval regime into a regime that allows for content approval on a rolling basis (including by eliminating the "full season" review requirement); return content review authority to regional and provincial officials; ensure timely, transparent, and non-discriminatory content review determinations; and otherwise ensure that it is not unfairly or unjustifiably limiting access of U.S. TV content to its online video market. Additionally, China prohibits foreign companies from wholly owning or operating online video providers.

10) U.S.-China Bilateral Investment Treaty (BIT)

• While the BIT does not address the full scope of industry concerns with China, we would like to see this dialogue continue as another outlet for engagement with China



RE: [EXTERNAL] interview on Beijing's behind the border barriers and lobster

From "Davis, Emily K. EOP/USTR" <emily.k.davis@ustr.eop.gov>

"Emerson, Jeffrey W. EOP/USTR" < jeffrey.w.emerson@ustr.eop.gov>, "Vaughn, Stephen P.

EOP/USTR" <stephen.p.vaughn@ustr.eop.gov>, "Greer, Jamieson L. EOP/USTR"

To:

</pre

<william busis@ustr.eop.gov>

Date: Thu, 16 Aug 2018 15:00:02 -0400

Talked with Stephen on this. He was fine with the response, but deferring to what Jamieson/ARL decide. So standing by for further guidance. Thanks

From: Davis, Emily K. EOP/USTR

Sent: Thursday, August 16, 2018 12:34 PM

To: Emerson, Jeffrey W. EOP/USTR <Jeffrey.W.Emerson@ustr.eop.gov>; Vaughn, Stephen P. EOP/USTR <Stephen.P.Vaughn@ustr.eop.gov>; Greer, Jamieson L. EOP/USTR <Jamieson.L.Greer@ustr.eop.gov>;

Busis, William L. EOP/USTR < William Busis@ustr.eop.gov>

Subject: FW: [EXTERNAL] interview on Beijing's behind the border barriers and lobster



From: Heather Timmons ht@qz.com Sent: Thursday, August 16, 2018 11:15 AM

To: Davis, Emily K. EOP/USTR < Emily.K.Davis@ustr.eop.gov>

Subject: [EXTERNAL] interview on Beijing's behind the border barriers and lobster

Emily

I just returned from reporting out <u>this story in Maine</u>, where lobster exporters say they're getting killed by the trade war—not just because of the 25% tariffs, but because of a host of new hurdles to lobster imports that Beijing is quietly introducing.

This situation could be repeated in other industries, putting the US at a severe disadvantage in this trade war: Beijing has the ability to arbitrarily put up trade barriers and dictate import prices in a way DC does not, China experts say.

I'd love to speak to someone at the USTR about this situation, and how the WH is trying to fight back against "behind the border barriers" like this. Could we arrange an interview?



all best Heather

--

Heather Timmons

White House correspondent

m: 202 600 1290

o: 202 266 7511

ht@qz.com | @HeathaT

QUARTZ | qz.com



RE: [EXTERNAL] Re: Cleared Advisor Notice: Request for Comment on Section 301 Exclusion Requests

From "Cobaugh, CC M. EOP/USTR" <christina.m.cobaugh@ustr.eop.gov>

To: "Greer, Jamieson L. EOP/USTR" <jamieson.l.greer@ustr.eop.gov>, "Young, Stewart B.

EOP/USTR" <stewart.b.young@ustr.eop.gov>

Date: Mon, 20 Aug 2018 12:09:57 -0400

Done

From: Greer, Jamieson L. EOP/USTR Sent: Monday, August 20, 2018 9:35 AM

To: Young, Stewart B. EOP/USTR <Stewart.B.Young@ustr.eop.gov> **Cc:** Cobaugh, CC M. EOP/USTR <Christina.M.Cobaugh@ustr.eop.gov>

Subject: RE: [EXTERNAL] Re: Cleared Advisor Notice: Request for Comment on Section 301 Exclusion

Requests

Put this one in his take home

From: Young, Stewart B. EOP/USTR Sent: Monday, August 20, 2018 9:33 AM

To: Greer, Jamieson L. EOP/USTR < Jamieson.L.Greer@ustr.eop.gov> **Cc:** Cobaugh, CC M. EOP/USTR < Christina.M.Cobaugh@ustr.eop.gov>

Subject: FW: [EXTERNAL] Re: Cleared Advisor Notice: Request for Comment on Section 301 Exclusion

Requests

Please see Dan DiMicco's comments on the 301 exclusion request in his cleared advisor capacity.

Should we give to ARL for take home, or just include in the summary report he receives.

From: Dan DiMicco (b) (6) @outlook.com> Sent: Saturday, August 18, 2018 8:28 AM

To: Young, Stewart B. EOP/USTR <Stewart.B.Young@ustr.eop.gov>

Cc: Dan DiMicco (b) (6) @outlook.com>

Subject: [EXTERNAL] Re: Cleared Advisor Notice: Request for Comment on Section 301 Exclusion

Requests

Here are my comments. You will also receive a similar document from the CPA. If that's a problem please let me know. I am sending you this as a 'cleared advisor'.

Dan

August 16, 2018 Robert Lighthizer

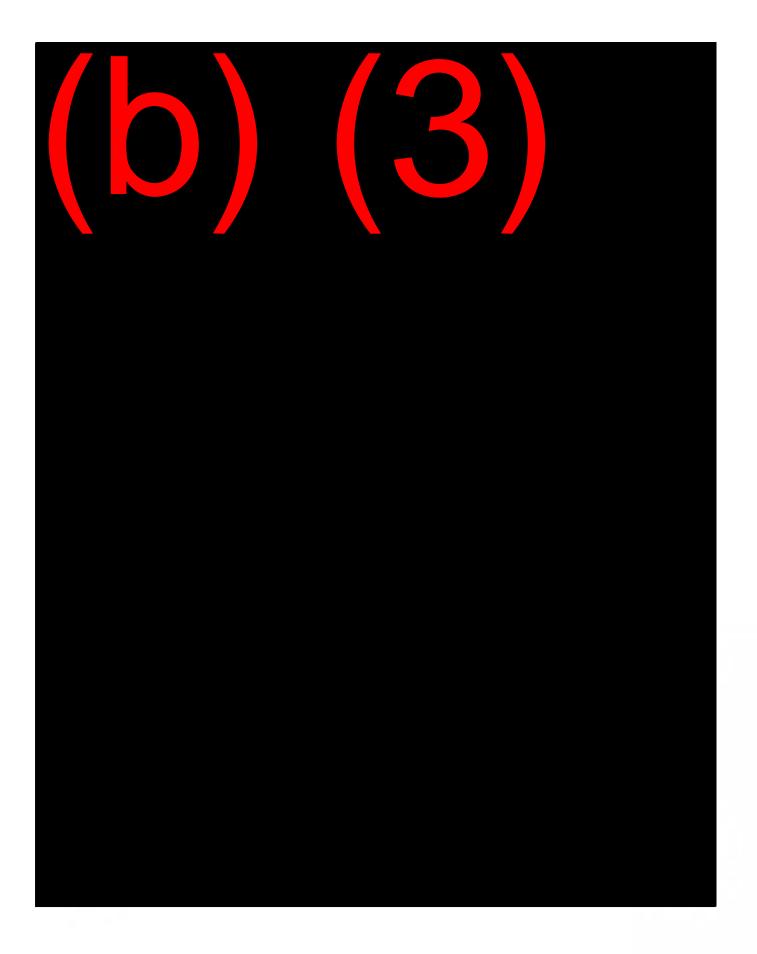


U.S. Trade Representative

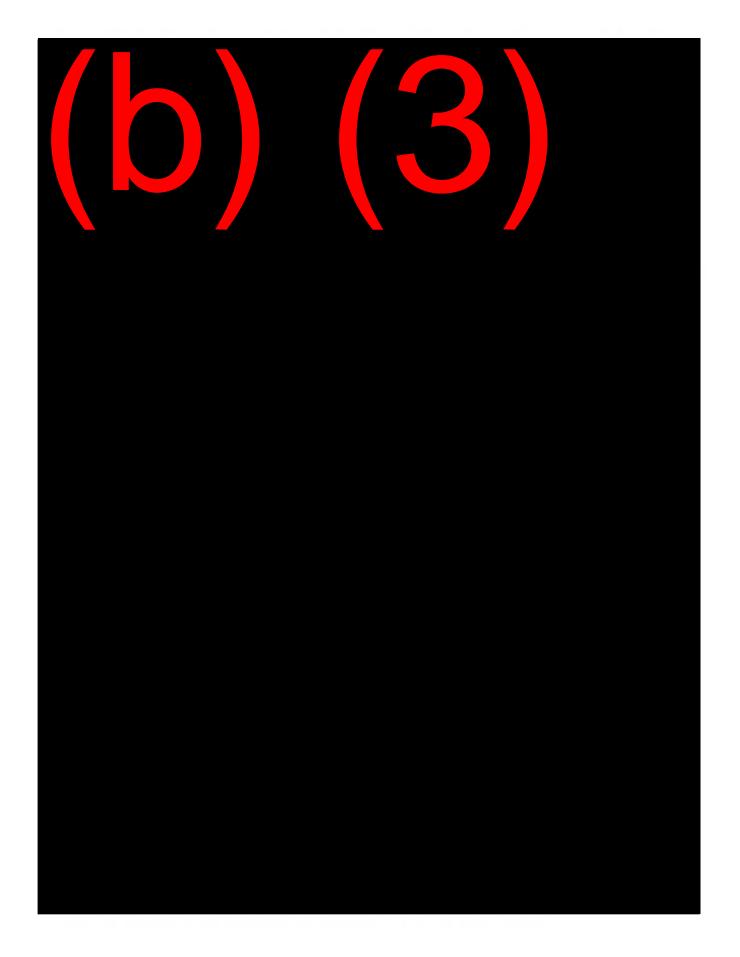
RE: Request for Comment Concerning Proposed Modification of Action Pursuant to Section 301: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation [Docket Number USTR-2018-0026]

Dear Ambassador Lighthizer: (b) (3)			And was the title of	
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Respectfully submitted, Daniel R. DiMicco 8 Lee, supra. Page 5

On Aug 17, 2018, at 6:43 PM, Young, Stewart B. EOP/USTR <Stewart.B. Young@ustr.eop.gov> wrote:

NOT FOR PUBLIC RELEASE / FOR ADVISORY COMMITTEE MEMBERS ONLY

Good Evening Advisors:

USTR has sought your advice throughout the Section 301 Investigation of China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation. On July 11, USTR published the attached federal register notice setting out a process for stakeholders to request that particular products covered in the initial, \$34 billion tariff action be excluded from the additional duties. USTR has now received a number of exclusion requests. The individual requests can be found on the <u>regulations.gov</u> docket listed in the notice. In addition, an index of exclusion requests received thus far can be found at (b) (3)

thus far can be found at (b) (3)

under the heading "Section 301 Product Exclusion

Request Index." Trade advisory committees are invited to provide comments (b) (3)

If an individual advisor wants to provide confidential advice, please email your comments in a document as an attachment and not in the body of an e-mail to Stewart Young at Stewart.B.Young@ustr.eop.gov. Do not copy anyone who is not a cleared advisor or agency staff on your e-mail. Do not have an assistant who does not have a clearance transmit the information. This means that if you do not have a cleared liaison with a security clearance, you need to send comments yourself. In the subject line, indicate that the email contains confidential advice from a cleared advisor. You also must clearly mark the comments in the attachment - Comments are Provided in Confidence — and include your name, the entity you represent, and your committee.

If you have any additional questions, please let your DFO know. You also can contact Stewart Young (<u>Stewart.B.Young@ustr.eop.gov</u>; 202-395-2864) in USTR's office of Intergovernmental Affairs and Public Engagement.

Best,

Stewart

Stewart B. Young
Deputy Assistant U.S. Trade Representative
Office of Intergovernmental Affairs and Public Engagement



Re: interesting

From: gregory.f.doud@ustr.eop.gov

To: "Starling, Raymond - OSEC, Washington, DC" (b) (6) @osec.usda.gov>

Date: Fri, 24 Aug 2018 19:56:45 -0400

Call me to discuss

Sent from my iPhone

On Aug 24, 2018, at 7:52 PM, Starling, Raymond - OSEC, Washington, DC (b) (6) <u>@osec.usda.gov</u>> wrote:

Just saw this in Jerry Hagstrom's letter:

Farmers for Free Trade issues questions about trade aid package

As the Trump administration was preparing to announce a \$12 billion package of aid to farmers hurt by tariffs, Farmers for Free Trade, a group promotes free trade in agricultural products, issued a list of 10 questions that it says farmers are asking about the trade aid.

"The aid package USDA will announce is, at best, an inadequate short-term solution," Angela Hoffman, deputy director of Farmers for Free Trade said in a news release. "We continue to believe that the best way to ease the pain farmers are shouldering would be to end the trade war. A one-time check won't replace the disappearance of long-term contracts and relationships."

- 1. How will individual losses due to tariffs be calculated?
- 2. Will some producers be compensated more than others?
- 3. Will this program address the full range of producers who are being harmed? What happens to produce, fruit, nut, specialty crop and other farmers who may not be included in the aid package?
- 4. How will these payments correct the underlying uncertainty in the market?
- 5. Will small and mid-sized farmers get a smaller piece of the pie based on a "per bushel" calculation?
- **6.** Will farmers struggling with drought conditions get less or no relief because of reduced production?
- 7. How will farmers be compensated for long-term impacts? Will there be a second aid package that addresses the more damaging long-term loss of markets?
- 8. What, if any relief will be provided for rising input costs including the rising cost of items like tractors, grain bins, and fencing?
- 9. Will there be any payment limits?
- 10. What will happen to product that is purchased as part of the direct purchasing programs? Will it be destroyed or go back on the market? How will this impact prices?



Ray A. Starling

United States Department of Agriculture

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FW: meeting asap

From: "Doyle, Brett W. EOP/USTR"

'brett.w.doyle@ustr.eop.gov>

To: "Bishop, Cameron M. EOP/USTR" <cameron.m.bishop@ustr.eop.gov>

Cc: "Jackson, Christopher L. EOP/USTR" <christopher.l.jackson@ustr.eop.gov>

Date: Fri, 31 Aug 2018 13:28:01 -0400

fyi

From: Lefton, Madeline (Murkowski) (b) (6) murkowski.senate.gov>

Sent: Friday, August 31, 2018 1:13 PM

To: Doyle, Brett W. EOP/USTR <Brett.W.Doyle@ustr.eop.gov>

Subject: meeting asap

Hi Brett -

I really need to escalate some fish/seafood concerns. Can we set something up for next week? See from a constituent below – there's room to get this right. Let's work together to make sure of it.

Madeline Lefton

Legislative Assistant

US Senator Lisa Murkowski | Alaska SH-522 Hart Senate Office Building | Washington, DC 20510

phone: (b) (6)

nurkowski.senate.gov

Subject: Trade war

I'm hearing USTR could make an announcement about tariff increases as soon as next Friday. The escalation in China is already really hurting us. We're facing a 37.5% tariff to keep Alaska pollock in McDonalds-China. If we lose the business to Russian product, it will be very difficult to get back. To maintain the business, we will need to ride out loses.

In the US market, we compete with Chinese tilapia. If that product were subject to a 37.5% duty to access the US market, we might see some benefits and movement towards parity from all of this.

We're very concerned that instead of targeted increases on high volume imported products grown in China, like tilapia, that we'll be hit on both sides of this trade war. It is beginning to seriously impact our planning and outlook.



[EXTERNAL] Facts about China-US economic and trade frictions and China's position...

From John Mallery (b) (6) mac.com>

"Reif, Timothy M. EOP/USTR" <timothy_reif@ustr.eop.gov>, "Cekuta, Margaret M.

To: EOP/CEA" <margaret.m.cekuta@cea.eop.gov>, "Laporte-Oshiro, Catherine EOP/USTR"

<catherine.laporte-oshiro@ustr.eop.gov>

Date: Tue, 25 Sep 2018 03:49:46 -0400

Here is a google translated version of the state council white paper.

It is a good piece of work to obscure unfair practices. They piled on much material outside the key areas of concern documented in the section 301 document. A close analysis is required to expose the spurious arguments while crediting china for other valid points.

They will need a face saving way to acquiesce without admitting error and some victories to bring home. Big helpings of respect are cheap. Modernizing the regional or global trade systems would certainly make them proud.

Facts about China-US economic and trade frictions and China's position (full text of the white paper) Xinhua News Agency

2018-09-24 17:15

Xinhua News Agency, Beijing, September 24th, the State Council Information Office issued a white paper on "Facts on China-US Economic and Trade Frictions and China's Position" on the 24th. The full text is as follows:

Facts about China-US Economic and Trade Friction and China's Position

(September 2018)

People's Republic

State Council Information Office

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Foreword

1. Sino-US economic and trade cooperation is mutually beneficial and win-win

Second, the facts of Sino-US economic and trade relations

Third, the US government's trade protectionist behavior

Fourth, the US government's trade bullying behavior

V. The harm of the improper practice of the US government to the development of the world economy

6. China's position

Foreword



China is the largest developing country in the world, and the United States is the largest developed country in the world. Sino-US economic and trade relations are of great significance to both countries and have a decisive impact on global economic stability and development.

Since the establishment of diplomatic relations between China and the United States, bilateral economic and trade relations have continued to develop, and the exchange of interests has been increasing, forming a close cooperative relationship that not only benefits the two countries but also benefits the world. Especially since the beginning of the new century, in the process of rapid economic globalization, China and the United States have followed multilateral agreements such as bilateral agreements and the World Trade Organization to expand and deepen economic and trade cooperation. Based on comparative advantages and market choices, they have formed a highly complementary structure and deepened interests. A mutually beneficial and mutually beneficial relationship. Through complementary advantages and mutual exchanges, the two sides have effectively promoted their respective economic development and industrial structure optimization and upgrading, while improving the efficiency and efficiency of global value chains, reducing production costs, enriching the types of commodities, and greatly promoting the enterprises and consumption of the two countries. Interests.

The economic development stage and economic system of China and the United States are different. The existence of economic and trade friction is normal. The key is how to enhance mutual trust, promote cooperation, and control differences. For a long time, the two governments have established a communication and coordination mechanism between the China-US Joint Commission on Commerce and Trade, the Strategic Economic Dialogue, the Strategic and Economic Dialogue, and the Comprehensive Economic Dialogue in line with the principles of equality, rationality, and mutual orientation. Unremitting efforts have ensured that Sino-US economic and trade relations have overcome various obstacles in the past 40 years and have continued to develop and become the ballast stone and propeller of Sino-US relations.

Since the new US administration took office in 2017, under the slogan of "US priority", we have abandoned the basic norms of international exchanges such as mutual respect and equal consultation, and implemented unilateralism, protectionism and economic hegemonism, especially for many countries and regions. China has made a series of false accusations, using the means of increasing tariffs and other means of economic intimidation, trying to impose extreme pressure on its own interests to impose on China. Faced with this situation, China has proceeded from safeguarding the common interests of the two countries and the world trade order, insisting on resolving the basic principles of disputes through dialogue and consultation, responding to US concerns with the utmost patience and sincerity, so as to properly handle differences and overcome differences. Difficulties, conducting multi-round dialogues and consultations with the United States, proposing pragmatic solutions, and making painstaking efforts to stabilize bilateral economic and trade relations. However, the United States has been rebellious and has been plagued, resulting in the continuous escalation of Sino-US economic and trade frictions in a short period of time. This has greatly damaged the Sino-US economic and trade relations that the two governments and people have worked hard for many years, and has also encountered the multilateral trading system and the principle of free trade. serious threat.

In order to clarify the facts of Sino-US economic and trade relations, clarify China's policy stance on Sino-US economic and trade frictions, and promote the rational resolution of the issue, the Chinese government has issued this white paper.

1. Sino-US economic and trade cooperation is mutually beneficial and win-win

Since the establishment of diplomatic relations between China and the United States, bilateral economic and trade relations have continued to develop, and cooperation in trade and investment has achieved fruitful results, achieving complementary advantages and mutual benefit. China has benefited a lot from it, and the United States has also obtained extensive and huge economic benefits from it, sharing the opportunities and achievements brought about by China's development. Facts have proved that good Sino-US economic and trade relations are of great significance to the development of the two countries.

(1) China and the United States are important trade partners of goods

Bilateral trade in goods has grown rapidly. According to statistics from relevant Chinese departments, the bilateral trade in goods between China and the United States reached US\$583.7 billion in 2017, 233 times that of the



establishment of diplomatic relations in 1979, and more than seven times that of China when it joined the World Trade Organization in 2001. At present, the United States is China's largest cargo export market and the sixth largest source of imports. In 2017, China's exports to the United States and imports from the United States accounted for 19% and 8% of China's exports and imports, respectively; China is the fastest growing exporter in the United States. The market and the largest source of imports, US exports to China accounted for 8% of US exports in 2017.

US exports to China are growing faster than their global exports. Since China joined the World Trade Organization, US exports to China have grown rapidly, and China has become an important export market for the United States. According to UN statistics, US exports of goods to China in 2017 were US\$129.89 billion, an increase of 577% from US\$19.18 billion in 2001, which is much higher than the US export growth of 112% in the same period (Figure 1) (Note 1).

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China is an important export market for American aircraft, agricultural products, automobiles and integrated circuits. China is the largest export market for aircraft and soybeans in the United States, and the second largest export market for automobiles, integrated circuits and cotton. In 2017, 57% of soybeans, 25% of Boeing aircraft, 20% of cars, 14% of integrated circuits, and 17% of cotton exported to the United States were sold to China.

Sino-US bilateral trade is highly complementary. The United States is in the middle and high end of the global value chain. Its exports to China are mostly capital goods and intermediate goods. China is at the low-end and the middle and low-end exports to the United States are mostly consumer goods and final products. The two countries play their respective comparative advantages and bilateral trade is complementary. In 2017, China's top three categories of goods exported to the United States were electrical machinery and its accessories, mechanical equipment and parts, furniture and bedding lamps, etc., accounting for 53.5% of the total. China's top three categories of goods imported from the United States are electrical machinery and its accessories, machinery and parts, vehicles and their accessories, accounting for 31.8% of the total. Mechanical and electrical products account for an important proportion in the bilateral trade between China and the United States, and the characteristics of intra-industry trade are more obvious (Table 1). Most of the "high-tech products" exported by China to the United States are only labor-intensive processing links in China, including the import and international transfer value of a large number of key components and intermediate products.

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(II) Rapid growth of bilateral trade in services between China and the United States

The US service industry is highly developed, with a complete range of industries and strong international competitiveness. With the development of China's economy and the improvement of people's living standards, the demand for services has expanded significantly, and the service trade between the two sides has grown rapidly. According to statistics from the United States, in 2007-2017, the trade volume between China and the United States increased from US\$24.94 billion to US\$75.05 billion, a two-fold increase. In 2017, according to the statistics of the Ministry of Commerce of the People's Republic of China, the United States is China's second largest service trading partner; according to the US Department of Commerce, China is the third largest service export market in the United States.

The United States is the source of the biggest deficit in China's service trade, and the deficit has expanded rapidly. According to statistics from the United States, in 2007-2017, US exports to China increased from US\$13.14 billion to US\$57.63 billion, an increase of 3.4 times. In the same period, US exports to other countries and regions in the world increased by 1.8 times. The annual trade surplus of China's service trade expanded 30 times to US\$40.2 billion (Figure 2).

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At present, the United States is the largest source of China's service trade deficit, accounting for about 20% of China's total trade deficit. China's service trade deficit with the United States is mainly concentrated in the three areas of travel, transportation and intellectual property fees.

The trade deficit of China's travel service to the United States continues to expand. According to the statistics of the US Department of Commerce, as of 2016, the number of tourists visiting the United States in China has increased for 13 consecutive years, and the growth rate of 12 years has reached double digits. According to statistics from the



Ministry of Commerce of the People's Republic of China, in 2017, Chinese tourists spent a total of 51 billion US dollars on travel, study, medical treatment, etc., of which about 3 million tourists went to the United States, and tourism spending in the United States reached 33 billion US dollars. In terms of education, the United States is the largest destination for Chinese students to study abroad. In 2017, China's US students in the United States were approximately 420,000, contributing approximately US\$18 billion to the United States. According to statistics from the United States, China's trade deficit with the US travel service expanded from US\$430 million in 2006 to US\$26.2 billion in 2016, an average annual increase of 50.8%.

China's payment of intellectual property fees to the United States continues to increase. According to statistics from relevant Chinese authorities, the United States is China's largest source of copyright import. In 2012-2016, China introduced nearly 28,000 copyrights from the United States. China's use of intellectual property fees for the United States increased from \$3.46 billion in 2011 to \$7.2 billion in 2017, doubling in six years (Figure 3). In 2017, China's payment to the United States accounted for a quarter of the total amount of China's external payments for intellectual property.

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(3) China and the United States are important investment partners

The United States is an important source of foreign investment in China. According to the statistics of the Ministry of Commerce of the People's Republic of China, as of 2017, the United States has established a total of 68,000 foreign-invested enterprises in China, with actual investment exceeding US\$83 billion. Chinese companies have experienced rapid growth in direct investment in the United States, and the United States has become an important investment destination for China. With the development of China's foreign investment, Chinese companies' direct investment in the United States increased from US\$65 million in 2003 to US\$16.98 billion in 2016. According to the statistics of the Ministry of Commerce of China, as of 2017, China's direct investment in the United States is about \$67 billion. At the same time, China has also invested heavily in the United States. According to the US Treasury Department, as of the end of May 2018, China held US Treasury bonds of 1.18 trillion US dollars.

(4) Both China and the United States have clearly benefited from economic and trade cooperation.

China and the United States have obtained enormous economic benefits from economic and trade cooperation and achieved mutual benefit and win-win results.

Sino-US economic and trade cooperation has promoted China's economic development and improvement of people's livelihood. Under the background of economic globalization, China and the United States and other countries have strengthened trade and investment cooperation and opened up markets to each other, which is conducive to the integration of Chinese enterprises into the global industrial chain value chain, and has brought a considerable external market for China's economic growth. After 40 years of reform and opening up, the total import and export volume of China's goods trade in 2017 was 4.1 trillion US dollars, ranking first in the world; the total import and export of service trade was 695.68 billion US dollars, ranking second in the world; attracting foreign investment of 136.3 billion US dollars, ranking the world. second. American companies in China have played a role in demonstrating Chinese enterprises in terms of technological innovation, market management, and institutional innovation, promoting market competition, improving industry efficiency, and driving Chinese companies to improve their technology and management. China imported a large number of electromechanical products and agricultural products from the United States, making up for its lack of supply capacity, meeting the needs of various fields, especially high-end demand, enriching consumer choice.

At the same time, the United States has acquired a large number of business opportunities, such as cross-border investment and entering the Chinese market, and played an important role in US economic growth, consumer welfare, and economic structural upgrading.

Economic and trade cooperation has promoted US economic growth and lowered US inflation. According to a joint study by the US-China Business Council and the Oxford Research Institute (Note 2), US imports from China boosted US gross domestic product by 0.8 percentage points in 2015; US exports to China and Sino-US two-way investment were US domestic production. The value contributed 216 billion US dollars, increasing the US economic growth rate by 1.2 percentage points; goods from China's affordable goods reduced the US consumer price level,



such as reducing its consumer price level by 1-1.5 percentage points in 2015. The low inflation environment provides ample room for the US to implement expansionary macroeconomic policies.

Created a lot of employment opportunities for the United States. According to estimates by the US-China Trade National Committee, US exports to China and China-US two-way investment in 2015 supported 2.6 million jobs in the United States (Note 3). Among them, China's investment in the United States spreads across 46 states, creating more than 140,000 jobs in the United States, and most of them are manufacturing jobs.

Bringing tangible benefits to American consumers. Bilateral trade enriches consumer choices, reduces the cost of living, and increases the actual purchasing power of Americans, especially low- and middle-income groups. The US-China Trade National Committee study shows that in 2015, Sino-US trade saved an average of \$850 per American household per year, equivalent to 1.5% of US household income (Note 4).

Created a lot of business opportunities and profits for American companies. China is a huge and fast-growing market, and Sino-US economic and trade cooperation provides a lot of business opportunities for American companies. From the perspective of trade, according to the "2017 US State Export Report to China" issued by the US-China Trade National Committee, China is one of the top five export markets for goods in 46 states in the United States in 2017. In 2016, China is all 50 states in the United States. One of the top five service export markets; in 2017, each American farmer exported an average of more than US\$10,000 to China. In terms of investment, according to the statistics of the Ministry of Commerce of the People's Republic of China, in 2015, US companies achieved sales revenue of approximately US\$517 billion in China, with profits exceeding US\$36 billion. In 2016, sales revenue was approximately US\$606.8 billion and profits exceeded US\$39 billion. The combined profits of the three major US automakers in China in 2015 reached US\$7.44 billion. In 2017, the sales volume of US passenger cars in China reached 3.04 million, accounting for 12.3% of the total sales of passenger cars in China (Note 5). Only GM has 10 joint ventures in China, and its production in China accounts for it. 40% of global production (Note 6). Qualcomm's chip sales and patent license fees accounted for 57% of its total revenue in China, and Intel's revenue in China (including Hong Kong) accounted for 23.6% of its total revenue (Note 7). In fiscal 2017, Apple's Greater China revenue accounted for 19.5% of its total revenue (Note 8). As of January 2017, 13 US banks have branches in China, and 10 US-funded insurance institutions have insurance companies in China. US financial institutions such as Goldman Sachs, Express Bank, Bank of America, and Metropolitan Life Insurance, as strategic investors in Chinese financial institutions, have made significant investment returns. According to the statistics of the China Securities Regulatory Commission, Chinese companies are listed overseas and refinanced. 70% of the total fundraising amount is led by the US investment bank as the lead underwriter or joint lead underwriter (Note 9). The US law firm has set up about 120 representative offices in China.

Promoted the upgrading of the US industry. In economic and trade cooperation with China, US multinationals have enhanced their international competitiveness by integrating the advantages of both countries. Apple designs and develops mobile phones in the United States, assembles and manufactures them in China, and sells them in the global market. According to Goldman Sachs' 2018 research report, if Apple moves all production and assembly to the US, its production costs will increase by 37% (Note 10). From the perspective of technical cooperation, US companies sell and invest in China, enabling them to enjoy China's applications in cloud computing and artificial intelligence, and to better adapt their products to the ever-changing global market (Note 11). China has undertaken the production links of American companies, enabling the United States to invest more resources such as capital into innovation and management, concentrate on developing high-end manufacturing and modern service industries, and drive the industry to upgrade to higher value-added and high-tech fields. It has reduced the pressure on domestic energy resource consumption and environmental protection, and has improved the overall competitiveness of the country.

On the whole, Sino-US economic and trade cooperation is a win-win relationship. It is definitely not a zero-sum game. American companies and nationals have obtained tangible benefits. Some Americans claim that the "American loss theory" is untenable.

Second, the facts of Sino-US economic and trade relations

Sino-US economic and trade exchanges are large in scale, rich in connotation, wide in coverage, and involve multiple subjects. It is inevitable that some contradictions will arise. The two countries should look at the overall situation from a comprehensive perspective. From the perspective of safeguarding the strategic interests of the two



countries and the overall situation of the international order, we should properly handle differences and pragmatically resolve conflicts with the attitude of seeking common ground while reserving differences. However, the current US government has issued a series of stigmatization accusations against China such as "economic aggression", "unfair trade", "theft of intellectual property rights" and "state capitalism" through the issuance of the "Report on China 301 Investigation". Seriously distorting the facts of Sino-US economic and trade relations, ignoring the great achievements of China's reform and opening up and the hard work and sweat of the Chinese people. This is not a disrespect for the Chinese government and the Chinese people, but also a disrespect for the true interests of the American people. It will lead to increased differences and friction escalation, ultimately jeopardizing the fundamental interests of both parties.

(1) It should not only look at the difference in the trade balance of goods to judge the gains and losses of Sino-US economic and trade relations.

Objectively understanding and evaluating whether China-US bilateral trade is balanced requires a comprehensive and in-depth inspection. It is not only necessary to look at the trade balance. China does not deliberately pursue a trade surplus. In fact, the ratio of China's current account surplus to GDP has fallen from 11.3% in 2007 to 1.3% in 2017. The imbalance of Sino-US trade in goods is more a natural result of the market's independent choice under the US economic structure and the existing comparative advantage. Solving this problem requires joint efforts by both parties to make structural adjustments. The United States ignores the multi-faceted factors affecting China-US economic and trade relations, unilaterally emphasizes the imbalance of trade in goods between the two countries, and blaming China for its responsibility is unfair and unreasonable.

Sino-US economic and trade exchanges are roughly balanced. There is a historical evolution in the imbalance of bilateral trade in goods between China and the United States. In the 1980s and early 1990s, the United States had been in a surplus position. After 1992, China turned into a surplus and continued to increase.

Today, with the deepening of economic globalization and the prevalence of international production, the connotation of bilateral economic and trade relations has long exceeded the trade of goods. The local sales of service trade and domestic enterprises in the branches of the other country (ie, local sales in two-way investment) should also be considered. Come in. Considering the three factors of goods trade, service trade and local sales of domestic enterprises in the branches of the other country, the economic and trade exchanges between China and the United States are roughly balanced, and the US net income is dominant (Figure 4). According to the statistics of the Ministry of Commerce of the People's Republic of China, the US trade surplus with China in 2017 was 54.1 billion US dollars, and the United States has a significant advantage in service trade. According to the US Bureau of Commerce's Bureau of Economic Analysis, US sales in China reached US\$481.4 billion in 2015, much higher than the US\$25.6 billion in sales of Chinese-funded companies. The US has a US\$455.8 billion advantage. The advantage is more prominent. In June 2018, the research report released by Deutsche Bank "estimating the economic interests between the United States and its major trading partners" believes that from the perspective of commercial interests, considering the impact of the global operations of multinational corporations on bilateral economic and trade exchanges, the United States is actually in the midst of The United States has gained more commercial net benefits than China in the process of bilateral trade exchanges. According to its calculations, the United States enjoyed a net benefit of US\$20.3 billion in 2017 (Note 12), after deducting the contributions of subsidiaries of other countries in their respective exports.

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The trade balance between China and the United States is an inevitable result of the structural problems of the US economy, and is also determined by the comparative advantages of the two countries and the international division of labor. The long-standing existence and continuous expansion of the bilateral trade in goods between China and the United States is the result of the joint action of multiple objective factors and is not the result of China's deliberate pursuit.

First, this is the inevitable result of insufficient domestic savings in the United States. From the perspective of national economic accounting, whether a country's current account is a surplus or a deficit depends on the relationship between savings and investment in the country. The typical characteristics of the US economy are low savings, high consumption, and long-term savings below investment. In the first quarter of 2018, the US net national savings rate was only 1.8%. In order to balance the domestic economy, the United States has to make extensive use of foreign savings through trade deficits. This is the root cause of the long-standing existence of the US trade deficit.



Since 1971, the United States has generally been in a trade deficit, with a trade deficit with 102 countries in 2017. The US trade deficit is an endogenous, structural, and persistent economic phenomenon. The current US trade deficit with China is only a staged and country-specific reflection of the US's global trade deficit.

Second, this is an objective reflection of the complementary advantages of the Sino-US industry. From the perspective of bilateral trade structure, China's trade surplus mainly comes from labor-intensive products and finished products, but it is a deficit in the fields of capital, technology-intensive products and agricultural products such as airplanes, integrated circuits and automobiles. In 2017, China's agricultural trade deficit with the United States was US\$16.4 billion, accounting for 33% of China's total agricultural trade deficit; the aircraft trade deficit was US\$12.75 billion, accounting for 60% of China's total aircraft trade deficit; and the automobile trade deficit was US\$11.7 billion. Therefore, the imbalance of Sino-US trade in goods is the result of independent market choices in the context of the two countries' competitive advantages in their respective industries.

Third, this is the result of changes in the international division of labor and the production mix of multinational companies. With the deep development of global value chain and international division of labor, multinational companies have taken advantage of China's low production costs, strong supporting production capacity, and good infrastructure conditions to invest in factories to assemble and manufacture products and sell them to global markets including the United States. From the perspective of trade entities, according to China Customs statistics, 59% of China's trade surplus with US goods in 2017 came from foreign-invested enterprises. As China undertakes the transfer of international industries and integrates into the Asia-Pacific production network, China has largely undertaken the trade surplus with other East Asian economies such as Japan and South Korea. According to the statistics of the US Department of Commerce's Bureau of Economic Analysis, the ratio of East Asian economies such as Japan and South Korea to the total US deficit decreased from 53.3% in 1990 to 11% in 2017. The proportion of China's trade surplus with the US was 9.4%. The increase was 46.3% (Figure 5).

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Fourth, this is the result of US export control of high-tech products to China. The United States has a huge competitive advantage in the trade of high-tech products. However, the US government has imposed strict export controls on China based on the Cold War mentality and artificially suppressed the export potential of US superior products to China, causing US companies to lose a large number of export opportunities to China. The trade deficit between China and the United States has increased. According to the analysis of the April 2017 report of the Carnegie Endowment for International Peace (Note 13), if the United States relaxes its export control to China to the level of Brazil, the US trade deficit with China can be reduced by 24%; if relaxed to France The level of US trade deficit with China can be reduced by 35%. It can be seen that the potential of US high-tech products to export to China is far from being fully realized. The United States cannot simply reduce its trade deficit with China, but has closed its doors to increase exports to China.

Fifth, this is the result of the dollar as the main international currency. After the end of the Second World War, the US dollar-centered Bretton Woods system was established. On the one hand, the United States used the "arbitrary privilege" of the US dollar (Note 14) to impose a "coinage tax" on countries around the world. The cost of printing a hundred dollar bill in the United States is not the same. A few cents, but other countries must provide tangible goods and services worth \$100 to get this money. On the other hand, the US dollar as the main international currency objectively needs to assume the function of providing liquidity for international trade, and the United States continuously exports the US dollar through the deficit. Behind the US trade deficit, it has its profound interest base and the roots of the international monetary system.

In addition, the US statistical method relatively overestimates the Sino-US trade deficit. The statistical differences between China and the United States have existed for a long time, and the differences are large. In 2017, China's trade surplus with US goods was US\$275.8 billion, and the US trade deficit with China was close to US\$395.8 billion, a difference of US\$100 billion. A statistical working group composed of relevant experts from the Ministry of Commerce of China and the United States conducts a comparative study on the differences in trade statistics between China and the United States each year. According to the calculation of the working group, the US official trade deficit with China is overestimated by about 20% every year. According to the statistics of China Customs and the US Department of Commerce's Census Bureau, the statistics and changes in the statistics of the two sides have been roughly the same in the past decade (Figure 6). The reasons for the difference include the difference between the import price and the export price, the value added of the re-export trade, the direct trade increase, the geographical jurisdiction, and the transportation lag.



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If the trade value added method is used for accounting, the US deficit with China will drop sharply. China's foreign trade has the characteristics of large-scale and large-scale development, as well as Sino-US trade. According to the statistics of the Ministry of Commerce of China, from the perspective of trade patterns, 61% of the trade imbalance between China and the United States comes from processing trade. China's added value in the export of many processed manufactured goods accounts for only a small portion of the total value of goods, while current trade statistics methods calculate Chinese exports based on the total value (the full amount of Chinese exports to the US). Since 2011, the WTO and the OECD have advocated a new perspective on "global manufacturing" to look at international production. They have proposed to analyze the actual status and benefits of countries' participation in international division of labor by means of "trade value added accounting" and established the world's input. Out of the database. Taking 2016 as an example, according to the statistics of traditional customs in China, China's balance with US is US\$250.7 billion. However, according to the World Input-Output Database, from the perspective of trade value added, China's trade surplus with the United States is 1394. Billion dollars, a 44.4% decrease from the total value method.

(2) should not talk about fair trade from the principle of mutual benefit of the World Trade Organization

In recent years, the United States has shifted from advocating "free trade" to emphasizing so-called "fair trade" and giving it new explanations. The so-called "fair trade" emphasized by the current US government is not based on international rules, but on the premise of "US priority" and aims to safeguard the interests of the United States. The core is the so-called "peer-to-peer" openness, that is, countries are completely consistent with the United States in the tariff level of each specific product and the market access of each specific industry, seeking absolute reciprocity. In the view of the US government, the opening of the US market with other countries is not equal, which puts the United States in an unfair trade position and leads to an imbalance in bilateral trade. This concept of reciprocity is inconsistent with the principle of mutual benefit of the World Trade Organization.

The principle of mutual benefit advocated by the World Trade Organization takes into account the differences in the stages of development of countries. Under the framework of the World Trade Organization, developing members enjoy differential and more preferential treatment. This institutional arrangement is based on respecting the right to development of developing countries and regions, and actively recruiting new members of developing countries to expand the number of members and enhance the inclusiveness of the multilateral system. It also reflects the exchange of current offers for the reciprocity of the later period. in principle. For developing members, because they are in the early stage of development, they need to moderately protect the industry to promote healthy development. After the market expands with economic development, it will bring more business opportunities to developed countries. Developing members enjoy differential and more preferential treatment, in line with the long-term interests of all countries and regions, including developed members. This institutional arrangement is truly international equity. In 2001, China joined the World Trade Organization as a developing member through multilateral negotiations and enjoyed the treatment of developing members. For more than a decade, the Chinese economy has achieved rapid development, but it is still a developing country. Since China has a population of 1.39 billion, the economic aggregate data appears to be relatively large, but this has not changed the reality of low per capita development. According to the International Monetary Fund data, in 2017 China's per capita GDP was 8,643 US dollars, only 14.5% of the United States, ranking 71st in the world. At the end of 2017, China still had 30.46 million rural poor. It is unreasonable to require China and the United States to achieve absolute equivalence of tariffs based solely on the large scale of China's economy and trade. The United States' pursuit of absolute reciprocity violates the MFN and non-discrimination principles of the World Trade Organization (Box 1).

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The principle of mutual benefit advocated by the World Trade Organization is that countries achieve an overall reciprocity and balance of interests in the open markets of all industries, and not narrowly confined to the level of commitment of each industry or product. Due to the differences in resource endowments and industrial competitiveness, it is difficult to achieve absolute reciprocity of the two economies, and the tariff levels of different industries are different. If we follow the absolute equivalence logic of the United States, the United States itself has a large number of unfair and unequal conditions. For example, China imposes tariffs on shelled peanuts, dairy products, and trucks at 15%, 12%, and 15%-25%, respectively, and according to World Trade Organization tariff data, the corresponding US tariffs are 163.8%, 16%, and 25%, both higher than China (Table 2).



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In fact, after earnestly fulfilling its commitment to join the World Trade Organization, China has also taken the initiative to expand market opening through unilateral tax reduction. As of 2010, China's cargo tax reduction commitments have all been fulfilled, and the total tariff level has dropped from 15.3% in 2001 to 9.8%. China has not stopped fulfilling its commitment to join the World Trade Organization. Instead, it has promoted trade and investment liberalization by signing free trade agreements, giving special preferential tariffs to LDCs, and has repeatedly reduced the level of import tariffs by a tentative tax rate. According to the World Trade Organization data, China's trade-weighted average tariff rate has fallen to 4.4% in 2015, significantly lower than emerging economies and developing countries such as South Korea, India and Indonesia, which are close to the United States (2.4%) and the European Union (3%). The level of agricultural products and manufactured goods, China has been lower than the actual tariff levels of Japanese agricultural products and Australian non-agricultural products (Table 3). Since 2018, China has further taken the initiative to reduce the MFN tariff rate for auto vehicles to 15%, and to reduce the MFN tariff rate for auto parts from the highest 25% to 6%; to reduce the import tariffs for some consumer goods on a large scale, involving 1449 tax items, and its MFN status. The average tax rate fell from 15.7% to 6.9%, with an average drop of 55.9%. At present, the overall tariff level of China has been further reduced to 8%.

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The "fair trade" and "peer-to-peer openness" advocated by the United States negate the objective differences between the development stages, resource endowments and advantageous industries of various countries, ignoring the development rights of developing countries, and will inevitably impact the economies and industries of developing countries, resulting in more Unfairness on a large scale is ultimately not conducive to US companies expanding their international markets and sharing development opportunities in developing countries.

After China joined the World Trade Organization, it has made important contributions to the development of the world economy. Some people in the world believe that China's accession to the World Trade Organization is cheap, and other countries have suffered. In fact, after China joined the World Trade Organization, China's low-cost labor, land and other resources combined with international capital and technology quickly formed huge production capacity, promoted the development of the global industrial chain and value chain, and promoted world economic growth. During this period, foreign direct investment in China continued to expand, from US\$46.88 billion in 2001 to US\$136.32 billion in 2017, with an average annual growth rate of 6.9%. Multinational companies shared huge opportunities for China's economic development. At the same time, China has taken on large costs in terms of environment and industrial adjustment in the process of rapid economic development.

(3) It should not blame China for compulsory technology transfer in violation of the spirit of contract

Since China's reform and opening up, foreign companies have taken the initiative to establish partnerships with Chinese companies in order to expand emerging markets, save production expenditures, achieve economies of scale and extend technology profitability, and enter into contractual contracts to transfer production capacity and orders to China. Voluntary behavior of businesses based on commercial interests. It is impossible to distort the voluntary trading activities of the two parties into compulsory technology transfer because of the technological advancement of Chinese enterprises. This is not in line with historical facts, but also abandoning the spirit of the contract.

The technology transfer in the process of cooperation between developed countries such as China and the United States stems from the active technology transfer and industrial transfer that are considered by developed countries for maximum benefit. Product life cycle theory shows that any product will experience a life cycle from prosperity to decline due to the application of new technologies. While multinational companies are striving to develop new technologies, they need to continuously transfer backward or standardized technologies to developing countries to extend the time to rely on old technologies to make profits, and to free up space and factor resources for new technology research and development. Indirect sharing of research and development costs, technology transfer and licensing is a common mode of business cooperation. Since the 1990s, US companies such as Microsoft, Intel, Qualcomm, Procter & Gamble, General Electric, and Lucent have successively set up R&D institutions in China to better adapt and develop the Chinese market. Over the years, American companies in China have received huge returns through technology transfer and licensing, and are the biggest beneficiaries of technical cooperation.

In the cooperation between Chinese and foreign companies, the Chinese government has no policies and practices that require foreign-invested enterprises to transfer technology. The technical cooperation and other economic and trade cooperation between Chinese and foreign enterprises are completely based on the voluntary principle of



contractual behavior, and both companies have obtained practical benefits. Generally speaking, there are three modes of technology income for foreign companies: (1) one-time transfer, which can be settled at the transfer price or at a discount; (2) equipment, parts or products sold, including technical income; (3) Technology license, charge a license fee. For example, when a foreign company with technological advantages sells equipment to Chinese companies, Chinese companies need to purchase the technical services and parts of the equipment suppliers for a long time because they do not have certain technologies of equipment. In this case, Chinese companies are willing to Purchase some of the technology from the outside party in a one-time fee. This technology transfer requirement belongs to the normal bargaining negotiation of the enterprise on the basis of cost-benefit accounting. Whether it is a split payment technology fee or a one-time payment technology fee, it is a common practice in international commercial technology transactions. The US government's voluntary cooperation with foreign-invested companies to establish partnerships with Chinese companies through business contracts, transfer or license their technology, and jointly obtain commercial returns in the Chinese market is called "compulsory technology transfer", which is completely a distortion of the facts.

In addition, China's equity cooperation in certain areas is in line with China's international obligations, national practices and practices, and cannot be confused as "compulsory technology transfer." Moreover, in recent years, the equity restrictions on foreign investment in China have been continuously liberalized, and the freedom of choice of foreign companies has continued to expand (Box 2). In this process, the equity cooperation between Chinese and foreign companies is still deepening, and it is entirely a free choice for both parties based on commercial reasons.

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The US government's accusation of China's "stolen" advanced technology is a smear of the hard work of China's scientific and technological progress. The Chinese nation is a nation that is diligent, intelligent, and creative. The Chinese government attaches great importance to science and technology and education. China's scientific and technological progress is the result of China's long-term implementation of the strategy of rejuvenating the country through science and education and the strategy of innovation-driven development. It is the hard work of all people, especially science and technology workers. Results. Since 2000, China's total social research and development funding has grown at an average annual rate of nearly 20%. In 2017, China's total social research and development expenditure was 1.76 trillion yuan, second only to the United States, ranking second in the world, accounting for 2.13% of GDP (Note 15), which is close to the OECD average. There are 2,613 colleges and universities in China, 109,000 R&D institutions, and more than 6.21 million R&D personnel. In 2017, the full-time equivalent of R&D personnel reached 4.03 million, of which enterprises accounted for 77.3%. (Note 16) In 2017, 113 Chinese companies entered the "2017 Global Innovation 1000" list (Note 17), second only to the United States and Japan, ranking third in the world. In the "2018 Global Innovation Index" ranking released by the World Intellectual Property Organization in July 2018, China rose from the 22nd in 2016 to the 17th (Note 18). In 2017, China's patent applications were 3.698 million, and the number of patents granted was 1.836 million (Note 19); the number of invention patent applications reached 1.382 million, an increase of 14.2% year-on-year, ranking first in the world for seven consecutive years (Note 20); According to figures released by the organization, in 2017, China submitted 49,000 international patent applications through the Patent Cooperation Treaty, second only to the United States. There are 10 Chinese companies entering the top 50 international patent applications. Larry Summers, the former US Treasury Secretary and eminent economist, said: "You ask me where China's technological progress comes from, it comes from the outstanding entrepreneurs who benefit from the government's huge investment in basic science, from the respect of excellence. Education systems that focus on science and technology. Their leadership position is generated in this way, rather than through the holding of shares in some US companies." (Note 21)

(4) Great efforts and achievements in protecting intellectual property rights in China should not be obliterated

China's attitude toward the protection of intellectual property rights is clear and firm, and it has continuously strengthened protection at the legislative, law enforcement and judicial levels (Note 22), and achieved remarkable results. The official report of the US government before 2016 also positively affirmed China's achievements in intellectual property protection. The annual business environment survey conducted by the American Chamber of Commerce in China shows that among the main challenges of its member companies operating in China, intellectual property infringement has been reduced from the 7th in 2011 to the 12th in 2018. The recent US government's accusation of China's intellectual property protection is flawed and completely obliterates China's great efforts and achievements in protecting intellectual property rights.



China has established and continuously improved the intellectual property legal system, and the legal protection has been continuously improved. China has established a complete and high-standard intellectual property legal system in a relatively short period of time, and has gone through the legislative journey that developed countries usually complete decades or even hundreds of years. At present, a complete system of protection, application and management of intellectual property rights from law, planning, policy to implementing agencies has been established. Dr. Arpad Bogsch, former Director General of the World Intellectual Property Organization, once commented that "this is unique in the history of intellectual property development". In 2013, China amended the Trademark Law and increased the punitive damages system. The statutory compensation limit was raised from 500,000 yuan to 3 million yuan, and the protection was greatly improved. Since the fourth comprehensive revision of the Patent Law initiated in 2014, it has proposed relevant measures to strengthen the protection of patent rights, including increasing penalties for violations, improving evidence rules, improving administrative protection measures, and strengthening the network environment. Patent protection, etc. In 2017, the Anti-Unfair Competition Law was amended to further improve the protection of trade secrets, clarify market confusion, broaden the scope of protection for logos, and strengthen legal liability for violations. On October 1, 2017, the "General Principles of the Civil Law of the People's Republic of China" was enacted. The law stipulates that "civil entities enjoy intellectual property rights according to law" and clearly stipulates that trade secrets belong to intellectual property rights and strengthen the protection of trade secrets.

Strengthen the judicial protection of intellectual property rights and give full play to the leading role of judicial protection. In 2014, China established special intellectual property courts in Beijing, Shanghai, and Guangzhou to cross-regional jurisdictions and other intellectual property cases. Since 2009, China has established 16 intellectual property courts in Tianjin, Nanjing, Suzhou, Wuhan, and Xi'an, effectively improving the level of intellectual property specialization trials. From 2013 to 2017, Chinese courts received a total of 813,564 IPR cases and 781257 cases. In 2017, Chinese courts received a total of 213,480 first-instance intellectual property cases and 202,970 cases, an increase of 46% and 43% respectively over the previous year (Note 23). China has become the world's largest country in hearing intellectual property cases, especially patent cases. China legally protects the legitimate rights and interests of Chinese and foreign parties. In 2016, Chinese courts concluded 1,667 first-instance IPR civil first-instance cases, a year-on-year increase of 25.6% (Box 3) (Note 24). China's handling of foreign-related intellectual property cases is one of the shortest in the world, and the Beijing Intellectual Property Tribunal averages four months. Due to the rapid judicial process, Chinese courts have been regarded as the preferred litigation venue for intellectual property litigation in the international arena. A considerable number of cases accepted by the Beijing Intellectual Property Court are foreigners.

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The administrative department of intellectual property rights has taken proactive measures and the administrative law enforcement has continued to strengthen. China implements the dual system of administrative and judicial protection, and intellectual property rights holders can not only seek judicial protection, but also seek administrative protection. The State Intellectual Property Office of China has actively built a rapid collaborative protection system that integrates rapid review, rapid confirmation of rights, and rapid rights protection. It has built a "12330" intellectual property rights assistance and reporting and complaints network covering the whole country. The administrative law enforcement departments of patents, trademarks and copyrights have carried out strong and active law enforcement, effectively protecting the legitimate rights and interests of intellectual property rights holders. In November 2011, the State Council of China issued the "Opinions on Further Combating Infringement of Intellectual Property Rights and the Production and Sale of Counterfeit and Inferior Commodities", and established the National Leading Group for Combating Infringement of Intellectual Property Rights and Manufacturing and Selling Fake and Inferior Commodities, Forming 29 Sectors. The normal mechanism of participation. In 2018, China re-established the State Intellectual Property Office. The trademark and patent enforcement was undertaken by the market supervision and comprehensive law enforcement team, and the law enforcement forces were integrated and strengthened.

China's growing intellectual property protection provides an effective guarantee for foreign companies to innovate in China. The number of foreign patent applications received from China increased from 117,464 in 2012 to 135,885 in 2017 (Note 25). The number of trademark registration applications from abroad increased from 95,000 in 2013 to 142,000 in 2017, and the number of applications for renewal of trademarks in the same period increased from 14,000 to 20,000 (Note 26). The Peterson Institute for International Economics in the United States believes that the status of intellectual property protection in China continues to improve. In the past decade, the number of patent



licenses and royalties paid by China using foreign technology has increased fourfold. In 2017, it was \$28.6 billion, ranking fourth in the world. The foreign technology payment fees used in the country are second only to the United States, ranking second in the world (Note 27).

American companies have benefited from China's effective protection of intellectual property rights. According to the statistics of the US Department of Commerce's Bureau of Economic Analysis, in 2016 China paid US\$7.96 billion in intellectual property fees to the United States. According to data from the National Copyright Administration, the Ministry of Commerce, and the State Administration of Markets, in 2012-2016, China introduced nearly 28,000 copyrights from the United States. In terms of trademarks, from 2002 to 2016, the United States applied for the transfer of more than 58,000 trademarks in China, accounting for 4.54% of the total number of trademark transfer applications in China. In terms of culture, China's State Administration of Radio and Television data shows that in 2017, China imported 31 US films, bringing nearly \$650 million in revenue to the United States.

The effectiveness of China's intellectual property protection has been positively recognized by the international community. In 2011, China Customs was awarded the only "Anti-Counterfeiting Best Government Agency Award" by the global anti-counterfeiting organization. In 2012, the Economic Investigation Bureau of the Ministry of Public Security of China was awarded the "2012 Global Anti-Counterfeiting Law Enforcement Team's Top Contribution Award" by the Global Anti-Counterfeiting Organization. On May 9, 2011, former US President Barack Obama said: "China has made good progress in protecting intellectual property rights. The US is willing to export more high-tech products to China and other countries, which is in the interest of both sides." In February 2018, the American Chamber of Commerce Global Intellectual Property Center released the "2018 International Intellectual Property Index Development Report", which is divided into 40 indicators to evaluate the intellectual property protection environment of 50 economies worldwide. China ranks 25th. Bit, up 2 places from 2017.

(5) The Chinese government should not be encouraged to go out and distorted as a government act to promote enterprises to acquire advanced technology through mergers and acquisitions.

The Chinese government encourages enterprises to go out and carry out international economic exchanges and cooperation in line with the rules of the World Trade Organization. With the improvement of the management capacity of Chinese enterprises, according to the needs of enterprises to allocate resources and develop markets, more and more enterprises have begun to develop independently overseas, which is in line with the trend of economic globalization. Like other countries and regions in the world, the Chinese government supports powerful and conditional enterprises. Under the premise of observing the laws and regulations of the host country and international rules, the government invests in and expands the international market. The government provides convenient services for foreign investment cooperation. The United States has made it difficult for the Chinese government to support enterprises to go out and determine that it is a kind of government behavior that promotes enterprises to acquire advanced technology from other countries through mergers and acquisitions.

In addition, the proportion of technology-seeking investment in China's direct investment in the United States is actually very low. According to the statistics of the American Enterprise Institute, in 2005-2017, only 17 of the 232 direct investments of Chinese companies in the US involved high-tech fields, and most of them were distributed in real estate, finance, and service industries (Note 29).

(6) China's subsidy policy should not be accused of leaving the World Trade Organization rules

China conscientiously abides by the rules of the World Trade Organization on subsidy policies. As one of the means to deal with market failures and solve imbalances in economic development, subsidy policies are widely used in many countries and regions including the United States. Since joining the World Trade Organization, China has been actively promoting compliance reforms in the domestic policy field and earnestly fulfilling the obligations of the World Trade Organization Agreement on Subsidies and Countervailing Measures.

China abides by the World Trade Organization's principle of transparency on subsidies and regularly informs the World Trade Organization of the revision, adjustment and implementation of relevant domestic laws, regulations and specific measures as required. As of January 2018, China has submitted thousands of notifications covering central and local subsidy policies, agriculture, technical regulations, standards, intellectual property laws and regulations, and many other fields. In July 2016, the Chinese government submitted a 2001-2014 local subsidy policy notification to the World Trade Organization in accordance with relevant rules, covering 100 local subsidy



policies in 19 provinces and 3 separate cities. In July 2018, the Central and Local Subsidy Policy Bulletin for 2015-2016 was submitted to the World Trade Organization. The local subsidy notification covers all provincial administrative regions for the first time.

Create a fair competition policy environment for enterprises. In recent years, the Chinese government has been committed to promoting the transformation of industrial policies. In June 2016, the State Council of China issued the Opinions on Establishing a Fair Competition Review System in the Construction of a Market System, which requires the regulation of government behavior, the prevention of new support measures to eliminate and restrict competition, and the gradual elimination of existing obstacles. Rules and practices for fair competition. In January 2017, the "Notice of the State Council on Expanding the Measures for the Active Use of Foreign Capital in Opening to the Outside World" further required that all departments should conduct fair competition review when formulating foreign investment policies. In June 2018, the "Notice of the State Council on Several Measures for Active and Effective Use of Foreign Capital to Promote High-Quality Economic Development" (hereinafter referred to as the "Notice") proposed to fully implement the pre-entry national treatment plus negative list management system, and areas outside the negative list. All departments in various regions shall not specifically restrict foreign investment access. The "Notice" requires protection of the legitimate rights and interests of foreign investment, improvement of the inter-ministerial joint meeting system for complaints of foreign-invested enterprises, establishment and improvement of complaints working mechanisms of foreign-invested enterprises, and timely resolution of unfair treatment issues reflected by foreign-invested enterprises. Local governments must not restrict foreign investment. Enterprises conduct cross-regional operations, relocations, cancellations, etc. according to law.

The degree of marketization of China's agriculture continues to increase. In 2015, the National Development and Reform Commission of China announced the liberalization of tobacco leaf purchase prices, marking that China has completely eliminated government pricing in the field of agricultural prices. Since 2004, on the basis of market pricing and free circulation, the Chinese government has implemented a market acquisition system for some agricultural products in order to maintain farmers' basic livelihoods when the market is seriously oversupply and prices are excessively falling. In recent years, the Chinese government has intensified its reform of the market acquisition policy, and the pricing mechanism has become more market-oriented (Box 4).

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Third, the US government's trade protectionist behavior

There are a large number of investment and trade restrictions and behaviors in the United States that distort market competition, hinder fair trade, and separate the global industrial chain. This undermines the rules-based multilateral trading system and seriously affects the normal development of Sino-US economic and trade relations.

(1) Discrimination against other countries' products

A large number of US regulatory policies violate the principle of fair competition and discriminate against other countries' products, with obvious self-interest and protectionist tendencies. The United States directly or indirectly restricts the purchase of products from other countries through legislation, which causes other enterprises to suffer unfair treatment in the United States. Chinese enterprises are the main victims.

The fair competition environment in the US product market is not as good as most developed countries, even worse than some developing countries. According to the 2013 "Product Market Regulation Indicators" (Note 30) issued by the OECD, 35 OECD countries are ranked. The top 3 are the Netherlands, the UK and Australia. The United States ranks only 27th, reflecting that there are many obstacles to fair competition in the product market in the US market. After joining the indicators of 12 non-OECD countries, the United States ranked only 30th out of 47 countries, and its product market is less competitive than non-OECD countries such as Lithuania, Bulgaria and Malta.

The United States is far more discriminatory against other countries' products than most developed countries, and even higher than some developing countries. According to the "Product Market Supervision Indicators" secondary indicator "Foreign Supplier Differential Treatment" (Note 31), 35 OECD countries were ranked. In 2013, the United States ranked 32nd, indicating that the US product market has serious discrimination against foreign countries. If it includes 12 non-OECD countries, the United States ranks 39th out of 47 countries, and the degree of discrimination is higher than non-OECD countries such as Brazil, Bulgaria, Cyprus, India, Indonesia and Romania (Note 32) (Note 32) Figure 7).



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The United States passed legislation requiring government departments to purchase domestic products and set discriminatory provisions for purchasing products from other countries. For example, the Purchase of American Products Act states that US federal government agencies can only purchase processed final products produced in the United States and unprocessed products mined or produced in the United States (Note 33). The United States Code stipulates that US-made iron, steel, and manufactured goods must be used for public transportation projects funded by the federal or state government (Note 34). The Agriculture, Rural Development, Food and Drug Administration and Related Institutions Appropriations Act stipulates that funds allocated for the purchase of raw or processed food imported from China may not be purchased for school lunches, children's adult food, children's summer food services, school breakfasts, etc. Poultry products. (Note 35) The National Defense Authorization Act prohibits the federal government from procuring communications equipment and services provided by Chinese companies on the grounds of national security (Note 36).

(2) Abusing the "national security review", hindering the normal investment activities of Chinese enterprises in the United States

The United States is the first country in the world to conduct security reviews of foreign investment. In 1975, the United States set up a foreign investment committee to monitor the impact of foreign investment on the United States. In 1988, the United States passed the Exxon-Florio Amendment, and amended the 1950 National Defense Production Law, authorizing the US President and his designee to review foreign mergers and acquisitions. The Foreign Investment and National Security Act of 2007 expanded the Foreign Investment Committee (Note 37) to expand its security review. From the legislative process of more than half a century, the main line of US security review of foreign investment is to tighten regulations and policies, expand the supervision team and review scope, and recently strengthened the review and restrictions specifically for China.

In the practice of foreign investment security review, the basis of the US "national security review" is ambiguous and the review is increasing. According to the Foreign Investment Review Report of the US Foreign Investment Committee (Note 38), 468 cases of foreign investment transactions were reviewed in 2005-2008, of which 37 cases were required to enter the investigation stage, accounting for only 8%. However, since the US Treasury Department issued the Foreigner Merger, Acquisition and Takeover Regulations: Final Rule (Note 39) in 2008, among the 770 cases reviewed during the period of 2009-2015, 310 cases need to enter the investigation stage, accounting for Suddenly increased to 40%. Especially in the newly disclosed 2015 data, this proportion has further increased to 46%, which is at a high level (Figure 8).

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Chinese companies are one of the main victims of abuse of national security reviews in the United States. Since the establishment of the US Foreign Investment Committee, the four investment transactions that the President of the United States has rejected based on the recommendations of the Commission have been directed at Chinese companies or their affiliates. In 2013-2015, the US Foreign Investment Committee reviewed 387 transactions in 39 economies, and 74 Chinese companies were investigated for investment transactions, accounting for 19%. For the third consecutive year, they ranked first in the number of countries reviewed. Judging from the data of the US veto and blocking Chinese investment in recent years (Tables 4 and 5), the scope of US Foreign Investment Committee's investment review in China has expanded from semiconductor and financial industries to food processing industries such as pig breeding. In addition to factors such as opaque review procedures, great discretion, and unclear reasons for veto, the situation of impeding normal transactions on the grounds of "endangering national security" is even more serious.

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The new US legislation further strengthens foreign security review. On August 13, 2018, the President of the United States signed the National Defense Authorization Act of FY 2019. As part of the Foreign Investment Risk Review Modernization Act, the Foreign Investment Committee was given greater censorship, including expanding the scope of jurisdictional transactions. The expansion of staffing, the introduction of the concept of "special attention to the country", and the increase in consideration of review factors have led to a clear trend in investment review. Among them, the US Department of Commerce is required to submit an analysis report on the investment of Chinese companies in the US every two years before 2026 (Note 40).



(3) Providing a large amount of subsidies to distort market competition

The US federal and local governments provide a large number of subsidies, bailouts, and concessional loans to some industries and enterprises. These subsidies have largely hindered fair competition in the market. According to the "Good Job Priority" statistics of the US subsidy monitoring organization, between 2000 and 2015, the US federal government subsidized at least \$68 billion from companies with grants, tax credits, etc., of which 582 large companies received 67% of the total subsidies. (Note 41). During the same period, US federal agencies provided hundreds of billions of dollars in loans, loan guarantees, and aid to the private sector. The industries that enjoy US government subsidies are very extensive. Among the 49 industries included in the statistics, automotive, aerospace and military, electrical and electronic equipment, oil and gas, financial services, chemicals, metals, retail, and information technology are among the top. 42). US state and local governments have also given companies substantial subsidies. Because the state government is basically not subject to the jurisdiction of the federal government in terms of subsidies, its subsidy method and amount of transparency are low, and it has greater concealment. The actual subsidy is much higher than the amount disclosed.

In the aviation field, Boeing has received federal and state (local) government targeted subsidies of \$14.5 billion since 2000; since 2011, it has received 73.7 billion loans, bond financing, venture capital, loan guarantees, and bailouts from all levels of government. US dollar (Note 43) (Box 5).

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In the automotive industry, the US federal and state governments have support policies for automobiles and provide huge assistance and disguised subsidies to large auto companies. During the international financial crisis, the US government established the "Automotive Industry Funding Program" (AIFP) under the "Non-Budget Assistance Program" to provide nearly \$80 billion in funding for large auto companies (Note 44). In 2007, the US Department of Energy developed the "Advanced Technology Vehicle Manufacturing Loan Program" under Section 136 of the Energy Independence and Security Act of 2007. The total amount of authorized loans from the US Congress to the project reached US\$25 billion (Note 45). Tesla has received more than \$3.5 billion in subsidies from federal and state (local) governments since 2000 (Note 46).

In the field of computer and semiconductor manufacturing, the United States has long been implementing government-led industrial policies. In the 1980s, the US government allocated \$1 billion to the US Semiconductor Manufacturing Technology Strategic Alliance to create "advanced competitive" technology, maintain US technology leadership, and avoid over-reliance on foreign suppliers. Almost all of Apple's products, including mice, monitors, operating systems, touch screens, etc., are supported by US government agencies, and some are directly spurred in government laboratories.

In the military industry, the United States provides various forms of support to military enterprises, including tax incentives, loan guarantees, and procurement commitments, and provides temporary government loans, corporate restructuring funds, bankruptcy protection, transition funds, and debt relief for large military enterprises on the verge of bankruptcy. And other preferential policies. The US Defense Production Act of 2014 stipulates that "the President may authorize a guarantee institution to provide a loan guarantee to the private sector to finance the establishment of the guarantee institution, which is essential for the establishment, maintenance, expansion, protection or restoration of production or services required for national defense. Any military contractor, subcontractor, critical infrastructure or other defense production supplier, etc.". In 2016, Lockheed Martin, the world's largest military company, received \$200 million in support from Connecticut.

In the agricultural sector, the United States has long implemented a high financial subsidy policy for agriculture, and most of the world's agricultural subsidy policies originated in the United States. According to the results of the Uruguay Round negotiations, the United States can provide "yellow box" subsidies for individual products within the \$19.1 billion subsidy ceiling. With abundant financial resources and abundant subsidy space, the United States has provided high subsidies for its large-scale export of agricultural products. These subsidies have affected the fair competition of world agricultural products and have been repeatedly challenged by relevant countries. The 12-year-old land cotton subsidy case between Brazil and the United States is a typical representative. In 2014, the United States made major adjustments to the agricultural subsidy policy, replacing the original "counter-return payment" and other direct subsidy programs with the "price loss protection plan" and the "agricultural risk protection plan", but still linked to the price, "yellow box" The nature of the subsidy has not changed, while the level of support has continued to increase. Joseph Graub, former chief economist of the US Department of Agriculture, pointed out that



the reference prices set by the two protection schemes are higher than the past target prices, and actually increase the level of subsidy support (Note 47). According to estimates by the US Congressional Research Bureau, the expenditures for the two guarantee programs in 2015 and 2016 were \$10.1 billion and \$10.9 billion, respectively, and the 2016-2017 support level exceeded the pre-release level of the new 2014 bill (Note 48). Among them, the total amount of support for each individual product is close to 15 billion US dollars, the highest level in the past 10 years (Note 49). In addition, the United States has also promoted agricultural exports through various types of credit guarantee schemes, and transferred a large amount of surplus agricultural products abroad through various non-emergency food aid programs, resulting in serious commercial substitutions, causing serious interference to the local agricultural products market in recipient countries. The interests of other agricultural exporting countries.

(4) using a large number of non-tariff barriers

The World Trade Organization does not completely prohibit the protection of domestic industries, but the principle is to reduce non-tariff barriers, improve the transparency of policy measures, and minimize trade distortions. The United States has adopted a large number of more invisible, discriminatory and targeted non-tariff barriers, and imposed strict protection on specific domestic markets, which has significantly distorted the trade order and market environment.

According to the statistics of the World Trade Organization, there are 3004 and 1574 measures for sanitary and phytosanitary and technical trade barriers notified in the United States, respectively, accounting for 18% and 6.6% of the world respectively (Figure 9). UNCTAD's June 29, 2018 report "Analysis of Trade Regulation Data Reveals New Major Findings" (Note 50) mentions that 54 trees and phytosanitary diseases must be met to import a tree into the United States. Measures related requirements. These measures have seriously affected the efficiency of customs clearance and increased trade costs.

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(5) Abuse of trade remedy measures

According to the provisions of the World Trade Organization, members may use trade remedy measures if there are dumping, subsidies or excessive growth of imported products that cause damage to the domestic industry, but there are strict qualifications. The United States heavily uses trade remedy measures to protect its own industries, a large part of which is aimed at China.

US trade protectionism measures have increased and the global share has increased. Global Trade Alert statistics show that in 2017, there were 837 new protectionist interventions worldwide, including 143 measures in the United States, accounting for 17.1% of the global total. At the end of January-July 2018, the United States introduced protectionist measures to a global proportion of 33% (Figure 10).

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Statistics from the US International Trade Commission show that as of July 17, 2018, the United States still has 44 anti-dumping and countervailing measures in force (Figure 11), of which 58% is the new double-counter since the 2008 financial crisis. "Measures, mainly for China, the European Union and Japan.

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In the anti-dumping investigation, the United States refused to comply with its obligations under Article 15 of the Protocol on China's Accession to the WTO and continued to apply the "alternative country" approach to China in accordance with its domestic laws. According to estimates by the US Congressional Accountability Office, the anti-dumping tax rates applicable to countries identified as market economies are significantly lower than those of non-market economies. In general, the average US anti-dumping duty on China is 98%, while the average tax rate on market economy countries is 37% (Note 51). Since 2018, the United States has made 18 rulings involving Chinese products, 14 of which are above 100%. In addition, the United States has a greater degree of arbitrariness in the choice of alternative countries (Note 52). Chinese exporters have been seriously and unfairly discriminated against in the US dumping investigation.

Fourth, the US government's trade bullying behavior



As the main founder and participant of the international economic order and the multilateral trading system after the end of World War II, the United States should take the lead in complying with multilateral trade rules and properly handle trade frictions with other member states through the dispute settlement mechanism within the framework of the World Trade Organization. It is also a clear commitment made by the US government to the international community. However, since the new US administration took office, it has emphasized "the US priority", pursues unilateralism and economic hegemonism, abandons international commitments, and provokes international trade frictions on all sides, which not only harms the interests of China and other countries, but also harms the United States itself. The international image has shaken the foundation of the global multilateral trading system and will ultimately harm the long-term interests of the United States.

(1) provoke trade friction unilaterally in accordance with US domestic law

The current US government circumvents the World Trade Organization dispute settlement mechanism on the grounds of industrial damage and protection of intellectual property rights, and provokes international trade frictions based solely on US domestic law. It is initiated under the names of Sections 232, 201, and 301. A series of surveys. The selective use of evidential materials in the investigation yielded arbitrary conclusions and the illegal use of punitive high tariffs to members of the World Trade Organization without the authorization of the World Trade Organization seriously violated the most basic and core MFN status and tariff constraints of the World Trade Organization. Rules and discipline. This unilateral act not only harms the interests of China and other members, but also undermines the authority of the World Trade Organization and its dispute settlement mechanism, and makes the multilateral trading system and the international trade order face unprecedented danger.

Conduct "232 investigations" on multinational products. The US government abuses the concept of "national security" to promote trade protection measures. In April 2017, the US government initiated a "232 investigation" on steel and aluminum products of major global economies including China on the grounds of so-called "national security" in accordance with Section 232 of the 1962 Trade Expansion Act. 53), and based on the results of the unilateral investigation, in March 2018 announced the import of steel and aluminum respectively to impose 25% and 10% tariffs, resulting in widespread opposition and retaliation. On April 5, 2018, China took the lead in bringing the US steel and aluminum 232 measures to the World Trade Organization. The United States announced that since the June 1 resumption of tariffs on EU steel and aluminum products, the EU also countered and appealed to the World Trade Organization, accusing the US measures of violating the rules of the World Trade Organization. EU Trade Commissioner Mamstrom said that the United States is carrying out "dangerous games" and that the EU's failure to respond would be tantamount to accepting these illegal tariffs. As of August 2018, nine World Trade Organization members have filed a lawsuit against the US Steel and Aluminum 232 to the World Trade Organization. In July 2018, the US government launched a new "232 investigation" on imported cars and spare parts on the grounds of so-called "national security."

As is known to all, steel and iron are general production materials, and automobiles are mass consumer goods. It is far-fetched to establish contact with "national security". Chad Bowen, a senior researcher at the Peterson Institute for International Economics in the United States, believes that US car capacity utilization exceeds 80%, and about 98% of passenger cars imported from the United States come from the European Union, Japan, Canada, South Korea and Mexico. The investigation of national security is untenable (Note 54). The US government has arbitrarily expanded the scope of the concept of national security without any theoretical or historical basis. Its essence is to use the relevant laws and regulations to give the president administrative power and bypass the conventional legal restrictions to implement trade protection (Box 6).

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Conduct "201 investigation" on multinational products. In May 2017, the United States initiated a "201 investigation" on imported washing machines and photovoltaic products in accordance with its Trade Law of 1974 (Note 55), and in January 2018 decided to levy a three-year exemption for the former and a tax rate of up to 50%. Tariffs are imposed on the latter for a four-year tariff with a tax rate of up to 30%. This is the first time the United States has launched the "201 Survey" since 2001. As the main source of imported washing machines in the United States, South Korea has filed a consultation request with the World Trade Organization in May and announced that it will suspend tariff concessions on some US products in response to US taxation of Korean products. On August 14, 2018, China resorted to the US PV products 201 measures to the World Trade Organization dispute settlement mechanism.



Conduct a "301 investigation" on China. In August 2017, the United States launched a "301 Survey" against China in accordance with its Trade Act of 1974 (Note 56), and in July and August 2018 divided the two batches of US\$50 billion worth of goods imported from China. 25% tariff, and since then, the tariff measures have been continuously upgraded. Since September 24, 2018, a tariff of 10% has been imposed on 200 billion Chinese products exported to the United States. The "301 Survey" is a trade survey based on the relevant provisions of US domestic law. It measures and requires other countries to accept US intellectual property standards and market access requirements. Otherwise, it will adopt retaliatory trade sanctions, as early as the 1990s. Known as "radical unilateralism." From the historical data, the "301 Survey" is used less frequently and is more resolved through negotiation agreements. According to the research report released by the Peterson Institute for International Economics in March 2018 (Note 57), since 1974, there have been 122 "301 investigations" in the United States, but since 2001, only one "301 investigation" has been officially launched. The U.S. government issued an "Administrative Action Statement" in 1994, stating that the "Article 301" should be implemented in a manner consistent with the rules of the World Trade Organization, that is, the United States can only implement "301" after being authorized by the World Trade Organization Dispute Settlement Mechanism. Sanctions as stipulated in the Terms. In 1998, the then European Community submitted a dispute settlement case on Section 301 to the World Trade Organization. The World Trade Organization Dispute Settlement Body believes that from the perspective of its legal provisions, it can be initially determined that the "Article 301" does not comply with the provisions of the World Trade Organization. In this Sino-US economic and trade friction, the US government used the "Article 301" to conduct an investigation into China, and imposed a large-scale tariff on Chinese products without the authorization of the World Trade Organization, which clearly violated the above-mentioned commitments of the US government. It is completely illegal.

(2) unilaterally accusing other countries of implementing industrial policies

Industrial policy is an effective tool to make up for market failures and improve social welfare. As long as it meets the rules set by the World Trade Organization, it should not be blamed.

The United States is one of the countries in the world that used industrial policies earlier. Although the United States seldom recognizes industrial policies, the US government has actually implemented much more industrial policies than the official ones (note 58). The scope of these industrial policies has played an important role in promoting the competitiveness of the US industry, from promoting technological innovation to government procurement, subsidies to specific sectors and enterprises, as well as tariff protection and trade agreements.

In order to strengthen the manufacturing industry's global leadership position, the United States has developed a large number of industrial policies in recent years. After entering the new century, especially in the past ten years after the outbreak of the international financial crisis, the United States has introduced a series of industrial policies, including the "Revitalization of the US Manufacturing Framework" (Note 59) (2009) and the US Manufacturing Promotion Act. (Note 60) (2010), Advanced Manufacturing Partnership Program (Note 61) (2011), "U.S. Manufacturing Renaissance – Four Goals for Growth" (Note 62) (2011), Advanced Manufacturing Countries Strategic Plan (Note 63) (2012), American Innovation Strategy (Note 64) (2011), "US Manufacturing Innovation Network: Preliminary Design" (Note 65) (2013), etc. Grid Modernization Plan (2011), US Clean Energy Manufacturing Plan (Note 66) (2013), "From the Internet to Robots – American Robot Roadmap" (Note 67) (2013), "Metal Additive Manufacturing (3D Printing) Technical Standard Roadmap (Note 68) (2013), American Artificial Intelligence Research and Development Strategic Plan (Note 69) (2016), National Machine Intelligence National Strategy (Note 70) (2018) Wait. These policies propose to adjust and optimize government investment, increase investment in manufacturing; strengthen government procurement of goods; provide credit support for export enterprises, expand international markets; and fund specific measures such as innovation in key areas of manufacturing.

While formulating the implementation of industrial policies, the United States has blamed other countries' normal industrial policies. The World Investment Report 2018 issued by the United Nations Conference on Trade and Development pointed out that in response to the opportunities and challenges of the new industrial revolution, there have been at least 101 economies (90% of global GDP) in developed and developing countries over the past decade. The above) has issued a formal industrial development strategy. In this context, "Made in China 2025" is also based on the US "Strategic Plan for Advanced Manufacturing Countries" and "America's Innovation Strategy" and other policy documents, which are formulated in conjunction with China's actual conditions. "Made in China 2025" is a



guiding and visionary document, and it is also a development plan that insists on market-oriented, open and inclusive. The Chinese government has always emphasized that "Made in China 2025" is an open system and has universal applicability to domestically funded foreign investment. Chinese leaders have stated on many occasions that foreign companies are welcome to participate in "Made in China 2025." The "Notice of the State Council on Several Measures for Expanding the Use of Foreign Capital for Opening to the Outside World" issued in 2017 clearly states that foreign-invested enterprises and domestic-funded enterprises are equally applicable to the "Made in China 2025" policy. In the process of document formulation, China strictly follows the rules of the World Trade Organization to ensure that relevant policies are transparent, fair and non-discriminatory. Since the implementation of "Made in China 2025", many foreign companies including American companies have participated in related construction projects.

(3) Sanctioning other countries under the "long arm jurisdiction" of domestic law

"Long arm jurisdiction" refers to the practice of relying on the laws and regulations of domestic laws to extend to overseas and to govern overseas entities. In recent years, the United States has continued to expand the scope of "long arm jurisdiction", covering a wide range of areas such as civil tort, financial investment, anti-monopoly, export control, cyber security, etc., and in international affairs, it is required that entities or individuals in other countries must obey the United States. Domestic law, otherwise it may be subject to US civil, criminal, and trade sanctions at any time.

Taking export control as an example, the United States has long established a package of export control systems to consolidate its technological leadership. Mainly based on the Export Administration Law, the Export Control Regulations, and the International Emergency Economic Power Act, requiring US exporters or users to apply for a permit when exporting. For foreign purchasers, the requirements must not violate the restrictions on the end use of the goods, end users, etc., otherwise they will be punished, including being included in the "list of entities", strictly restricting or prohibiting imports from the United States. Statistics show that as of August 1, 2018, the number of entities listed on the "Entity List" of the US Department of Commerce reached 1,013. Such behavior not only damages the interests of related companies, including US companies, but also undermines the development rights of developing countries.

The United States is still reviewing and amending existing export control regulations and strengthening the "long arm jurisdiction" behavior. On August 13, 2018, the President of the United States signed the National Defense Authorization Act of 2019. As an important part of the Export Control Reform Act, it increased restrictions on foreign holding companies and increased the number of "emerging and basic technologies." "Export control, established an inter-departmental consultation mechanism to improve law enforcement capabilities. Recently, the US Department of Commerce's Bureau of Industry and Security has listed 44 Chinese institutions on the export control list on the grounds of "violating US national security or foreign policy interests." This kind of behavior creates obstacles for Chinese companies to participate in related trade, and the essence is to strengthen and upgrade the "long arm jurisdiction".

(4) Internationalizing domestic issues and politicizing economic and trade issues

The current US government, based on domestic political needs, internationalizes domestic issues and politicizes economic and trade issues, and accuses other countries of passing on domestic contradictions.

The United States attributed the mistakes of unemployment caused by domestic policy failures and institutional defects to international trade. The US government believes that other countries have robbed their jobs through unfair trade. As the largest source of US trade deficit, China has become the main target of being accused. The fact is that according to UN data, the trade volume between China and the United States increased by 4.4 times in 2001-2017, but the US unemployment rate fell from 5.7% to 4.1%. Especially since 2009, the United States has experienced rapid growth in imports from China. In the same period, the US unemployment rate has shown a continuous decline. The substitution relationship between the import of goods and the unemployment rate accused by the US government does not exist (Figure 12). According to the 2017 US Congressional Research Center report, in 2010-2015, although US manufacturing imports increased by 32.4% from China, jobs in the US manufacturing industry increased by 6.8% (Note 71).



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In fact, the unemployment problem of some social groups in the United States is mainly caused by the failure of domestic economic policies and the redistribution of re-distribution mechanisms due to technological progress and economic restructuring. According to a study by Boll State University in Indiana, USA, during the period 2000-2010, US manufacturing jobs decreased by 5.6 million, and 88% were due to productivity gains (Note 72). Under the conditions of a market economy, all factors are in the midst of changes in the flow, and there are no permanent jobs. With the change of comparative advantage in the United States, employment conditions in different industries have changed, and jobs in traditional manufacturing industries have decreased. This is a normal phenomenon of economic development and structural adjustment. The US government should have followed the general trend of economic restructuring and adopted active and effective redistribution and reemployment support measures to help unemployed people move to employment in emerging industries. However, subject to the traditional distribution mechanism and interest structure, the US government did not establish a reasonable redistribution and reemployment support mechanism in time, which led to the long-term accumulation of unemployment in some social groups and the accumulation of difficulties, providing political populism and isolationism. soil.

The current US government blames the unemployment problem on international trade and exporting countries, which is inconsistent with the facts. It is an attempt to pass on contradictions when domestic political contradictions are difficult to resolve. If the United States does not really solve its own deep-seated structural problems, but instead guides the return of manufacturing through trade protection measures, such acts of inversion, neighboring, and anti-economic laws will only reduce the efficiency of the global economy and trigger opposition from all countries in the world. Lose people and not benefit themselves.

(5) The current US government is betrayed

Rule consciousness and contract spirit are the foundation of the market economy and the modern international order. Obeying the rules and respecting the contract enables different individuals, groups and countries to form extensive cooperation, which is the main feature of human beings entering civilized society. The current US government has adopted a series of perfidy practices in disregard of the universally accepted norms of international exchanges, and adopted an opportunistic attitude toward international relations, which has caused widespread criticism and criticism from the international community. These short-sighted practices of the United States, which are quick and profitable, have damaged the international credibility of the United States and will shake the international status and strategic interests of the United States.

The US government flouts the authority of international agreements and disrupts global governance. Commitments and signed agreements in the name of the country are not interfered with by the government, and maintaining consistency is the basis for a country to maintain its international reputation. The current US government exaggerates the problems of the multilateral system and the differences between the countries. It is unwilling to undertake the cost of maintaining the international order, selectively obey the rules of international rules, and withdraw from the international organizations such as UNESCO and the Human Rights Council. The Trans-Pacific Partnership Agreement and the Paris Climate Agreement, which the US government has pushed for, are mandatory to revisit the North American Free Trade Agreement and the US-South Korea Free Trade Agreement.

With the United Nations, the World Bank, the International Monetary Fund and the GATT as the starting point, after continuous improvement, today's global political and economic governance system has been formed. The World Trade Organization is an important multilateral economic and trade mechanism. It plays a key role in international economic and trade cooperation and is widely respected and recognized in the world. At present, there are more than 160 members. However, the United States often violates the rules of the World Trade Organization. During the period 1995-2015, the number of cases in which the prevailing party suspends the application and suspends the tariff reduction obligations to the United States due to the failure of the United States to implement the World Trade Organization Dispute Settlement Sanctions accounted for the World Trade Organization. 2/3 of the total number of similar cases (Note 73).

This series of acts is a violation of the international contract, a disrespect for economic and trade partners, and a damage to the credibility of the United States. The 2018 Global Risk Report released by the World Economic Forum pointed out that the US invasion of the multilateralist order and the US obstruction of the appointment of new judges of the World Trade Organization Appellate Body will aggravate the global risks of 2018.



The US government undermines market mechanisms and directly intervenes in business practices. The current US government has repeatedly broken through government boundaries and directly intervened in market entities. For example, regardless of business rules, companies such as Apple and other overseas companies are required to move back. In addition, the US government has also intimidated and obstructed foreign investment by US companies. For example, on January 3, 2017, GM was warned that if it continued to manufacture the Chevrolet Cruze model in Mexico, it would have to pay a large tariff (Note 74); on July 3, 2018, Threat Harley was not allowed to manufacture its business. Transferred out of the United States (note 75); criticized corporate executives through social media naming, and strengthened the review of normal M&A transactions with various excuses.

The U.S. government has turned its back on bilateral economic and trade negotiations and has failed to keep its promises. China has always attached great importance to maintaining the stability of Sino-US relations. In particular, since 2017, it has responded positively to US economic and trade concerns and has conducted many rounds of consultations with the US government with great sincerity and patience in an effort to bridge differences and resolve problems. From late February to early March 2018, at the request of the United States, China sent a delegation to the United States to hold economic and trade negotiations. On April 3, the United States announced a list of products that would impose a 25% tariff on US\$50 billion in Chinese exports to the United States. Faced with the volatility of the United States and the constant rise in the asking price, China conducted serious consultations with the US representatives who came to China for negotiations in the early May in line with the sincerity of solving the problem through dialogue. From May 15 to 19, China sent a delegation to the United States to negotiate again at the request of the United States, and responded positively to the US demands in the negotiations. After hard work, the two sides reached a consensus that "the two sides do not fight trade wars" and issued a joint statement on May 19. However, just 10 days later, the US government blatantly tore up the joint statement that the two sides have just reached, abandoning the promise of not fighting the trade war, and surpassing the World Trade Organization dispute settlement mechanism, announcing that it will implement large-scale taxation measures for products from China. The aspect provokes a trade war (Box 7).

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V. The harm of the improper practice of the US government to the development of the world economy

The series of extreme trade protection measures adopted by the US government have undermined the international economic order, hurting global economic and trade relations including Sino-US economic and trade exchanges, impacting global value chains and the international division of labor system, disrupting market expectations and triggering international finance and The commodity market fluctuated sharply and became the biggest uncertainty and source of risk for the global economic recovery.

(1) Destroying multilateral trade rules and the international economic order

In the historical process of moving toward civilization, human society has generally accepted a set of international governance systems based on rules and credits. All countries, big or small, should respect each other and have an equal dialogue. Maintaining international rules in a spirit of contract is fundamental to promoting global trade and investment and promoting global economic growth. However, the US government has recently adopted a series of improper practices that violate or even undermine existing multilateral trade rules, seriously damaging the current international economic order. The US government has repeatedly criticized the rules of the World Trade Organization and its operating mechanism in public, refused to support the multilateral trading system, and passively participated in global economic governance, resulting in the failure of the APEC Trade Ministers Meeting in 2017 and 2018 to support the multilateral trading system. A consistent position. In particular, the US government did not agree to write "opposition of trade protectionism" into the ministerial statement, which was unanimously opposed by other APEC members. The United States slammed the World Trade Organization Appellate Body and blocked the Appellate Body and a dispute resolution mechanism.

(2) hindering international trade and global economic recovery

With the development of the globalization process, the correlation between the economies of various countries based on economic and trade relations is getting higher and higher, and trade has become an important driving force for global economic growth. According to World Bank statistics, the dependence of the global economy on trade growth has risen from 17.5% in 1960 to 51.9% in 2017 (Figure 13).



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At present, the global economy has just emerged from the shadow of the international financial crisis, and the recovery trend is not stable. The US government has provoked trade frictions on a large scale and hindered international trade, which is bound to have a negative impact on the recovery of the world economy. In order to curb US trade protectionism, other countries have to resort to counter-measures, which will lead to global economic and trade order disorder, hinder the global economic recovery, and affect companies and residents of the world, so that the global economy will fall into the "recession trap" (Table 6).

According to the World Bank's Global Economic Outlook report released on June 5, 2018, the global rise in tariffs will have a major negative impact on global trade. By 2020, global trade volume will fall by 9% to emerging markets and development. The impact of the Chinese economy is particularly evident, especially for economies that are more connected to the US trade or financial markets (Figure 14). Robert Azevedo, Director-General of the World Trade Organization, said that if tariffs return to the level of the GATT/World Trade Organization, the global economy will contract by 2.5% immediately, and global trade volume will be cut by more than 60%, affecting more than 2008 international financial crisis. Trade wars are harmful to everyone, especially the poor will lose 63% of their purchasing power (Note 76). Historical lessons have repeatedly shown that trade wars have no winners and even have a serious impact on world peace and development (Box 8).

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(3) Impact on the global value chain

At present, the global economy has been deeply integrated. Countries have given full play to their comparative advantages in technology, labor, capital, etc., and have divided their work in the global economy to form a global and efficient value chain to share the economic globalization dividend created by the value chain. In particular, companies represented by multinational corporations have minimized production costs, improved product and service quality, and achieved a win-win situation among enterprises, enterprises and consumers by allocating resources on a global scale.

The US government has provoked trade frictions around the world by adding tariffs and building trade barriers. It requires US-funded multinational companies to return to the United States in the form of "selling countries' labels" and threatening tax increases. This will seriously damage or even break the global value chain. It will impact normal product trade and resource allocation on a global scale, and through the interrelationship between countries' economic and trade, produce a wide range of negative spillover effects and reduce the efficiency of the global economy. For example, industries such as automobiles, electronics, and airplanes rely on complex and huge industrial chains. The economies in supply chains such as Japan, the European Union, and South Korea will be negatively affected by trade contraction and produce a series of chain reactions, even in the United States. Domestic suppliers will also be in danger. According to estimates by the Ministry of Commerce of the People's Republic of China, about US\$20 billion of the first US\$34 billion taxable products list in China (about 59%) is produced by US, European, Japanese and Korean companies. Including the US companies, companies in the global industrial chain will pay for the US government's tariff measures.

The World Economic Outlook report released by the International Monetary Fund on April 17, 2018 states that the increase in tariff and non-tariff trade barriers will undermine global value chains, slow the spread of new technologies, and lead to a decline in global productivity and investment. The Peterson Institute for International Economics believes that if the United States imposes trade sanctions on China and causes China to counter, many countries and regions that export intermediate products and raw materials to China will also suffer severely (Note 77).

(4) Trade protectionism ultimately harms the interests of the United States

In the era of economic globalization, there are close interpersonal connections between you and me, especially among large economies. The unilateral provocation of the trade war by the US government will not only impact the economies of the world but also the interests of the United States.



Increase the cost of manufacturing in the United States and affect employment in the United States. According to a report issued by the Peterson Institute for International Economics, 95% of the Chinese goods subject to tariffs are spare parts and electronic components. They are assembled in the "Made in the USA" final product. Increasing tariffs on related products will damage the US companies themselves. 78). The New York Times said that the engines and other parts produced in China are vital to US shipbuilding companies, and it is temporarily impossible to find alternatives. The profit margin of shipbuilding companies is basically impossible to digest 25% of the tariff cost, and the price of their own products will lose market share. (Note 79). General Electric predicts that the United States will impose a tariff increase of \$300 million to \$400 million on imports from China. Automakers such as General Motors, Ford and Fiat-Chrysler have cut their full-year profit forecasts (note 80). Zhongzhou, the largest nail manufacturer in the United States, said that the increase in tariffs on imported steel has led to higher costs, product prices have been forced to rise, sales are expected to fall by 50%, and the company's operations are facing greater impact. In June of this year, the company has fired 60 of the 500 workers and plans to lay off 200 more workers. The dilemma of Zhongzhou Company has also spread to its downstream packaging sector - the SEMO packaging company that cooperated with it has begun to lay off employees due to business shrinkage (Note 81). The Peterson Institute for International Economics' assessment pointed out that the United States' tariffs on imported cars will result in a reduction of 195,000 jobs in the United States. If retaliatory measures are taken in other countries, the number of jobs may be reduced by 624,000 (Note 82).

Leading to rising domestic prices and impaired consumer welfare. Among the products imported from China by the United States, consumer goods have always accounted for a high proportion. According to the US Department of Commerce's Bureau of Economic Analysis, consumer goods (excluding food and automobiles) accounted for 46.6% of China's exports to the US in 2017. The long-term import of China's high-quality and low-cost consumer goods is one of the important factors for the US inflation rate to remain low. When the American Equipment Manufacturers Association urged the US government not to implement tariff-damaging measures, the tariff was a tax on US consumers. In an open letter to the Congress and the President on May 3, 2018, the National Taxpayers Union warned that protective tariffs would cause US consumer goods prices to rise, hurting the interests of most American citizens (Note 83). A paper submitted to the government by the American Automobile Manufacturers Union in June said that its analysis of 2017 car sales data showed that a 25% tariff on imported cars would result in an average price increase of \$5,800, which would make American consumers The annual cost of consumption has increased by nearly \$45 billion (note 84).

Initiating trade partner counter-measures, which in turn harm the US economy. The US government's trade war with many important trading partners, including China, has triggered counter-measures by various trading partners, which will inevitably cause losses to some regions, industries and enterprises in the United States. By the end of July 2018, major US trading partners including China, Canada, Mexico, Russia, the European Union, and Turkey had announced counter-measures against their trade protectionist measures and filed suits through the World Trade Organization. For example, the Canadian government announced on June 29 that it will impose tariffs on goods imported from the United States worth about \$12.6 billion from July 1. On July 6, the Russian Ministry of Economic Affairs announced that it would impose a 25%-40% tariff on some US goods. The EU has taken counter-measures against US steel-aluminum tariffs, increasing the tariff on motorcycle imports from the United States from 6% to 31%.

The American Chamber of Commerce pointed out that the trade war will lead to damage to the relevant state interests in the United States, Texas's \$3.9 billion export product, South Carolina's \$3 billion export product, and Tennessee's \$1.4 billion export product or retaliatory tariff strikes. 85). The US Consumer Choice Research Center says the US government is actually "punishing" its voters with tariffs, relying on exporting more than 150,000 jobs in North Carolina, and 6,500 workers in South Carolina will be directly affected by retaliatory tariffs. 86). Harley, a well-known American motorcycle manufacturer, has assessed that the EU's retaliatory tariff measures will result in an increase in the cost of motorcycles sold to Europe by \$2,200, which will cost the company \$30 million to \$45 million in 2018. In response to this unfavorable situation, Harley has indicated plans to transfer some of its motorcycle manufacturing capacity to the United States (Note 87).

Affecting investor confidence in the US economic environment has led to a decline in net inflows of foreign direct investment. The escalating economic and trade frictions have made the company's confidence unstable and have a wait-and-see attitude on investment. Adam Posen, director of the Peterson Institute for International Economics, pointed out that the US government's "economic nationalism" policy not only made the United States pay a price in



the field of trade, but also the negative consequences caused by the investment field. Recently, the number of US and foreign multinational companies investing in the United States is almost zero. The change in corporate investment direction will affect long-term income growth and high-income jobs in the United States, and accelerate global enterprises away from the United States. According to the US Department of Commerce's Bureau of Economic Analysis, in the first quarter of 2016 and the first quarter of 2017, US foreign direct investment inflows were \$146.5 billion and \$89.7 billion, respectively, and in the same period of 2018 it had fallen to \$51.3 billion. This change is the result of a decline in US attractiveness for long-term investment (Note 88).

6. China's position

Economic globalization is the trend of the times, and peace and development are the aspirations of the people. It is not in line with the historical trend that the problems that plague the world and the contradictions affecting the development of the country are simply attributed to economic globalization, trade and investment protectionism, and attempts to return the world economy to an isolated old era. Sino-US economic and trade relations are related to the well-being of the two peoples and to world peace, prosperity and stability. For China and the United States, cooperation is the only correct choice, and a win-win situation can lead to a better future. China's position is clear, consistent and firm.

(1) China firmly safeguards national dignity and core interests

It is the wish of the Chinese government and people to actively develop Sino-US economic and trade cooperation and consolidate Sino-US relations. For the trade war, China is not willing to fight, not afraid to fight, and has to fight if necessary. We have strong economic resilience and broad market space. The Chinese people with diligence, wisdom and unity have the support of all countries in the world against protectionism, unilateralism and hegemonism. We have the confidence, determination and ability to deal with each. A risk challenge. No external factor can prevent China from growing and growing. At the same time, China will provide necessary assistance to enterprises and industries that are greatly affected by economic and trade frictions.

China has consistently maintained that the two sides should adhere to a positive and cooperative attitude toward the problems and disputes arising in the rapid development of China-US economic and trade relations. Through bilateral consultations or resorting to the World Trade Organization dispute settlement mechanism, the two sides can solve the problem in a mutually acceptable manner. Disagreement. The door to China's negotiations has always been open, but negotiations must be based on mutual respect, mutual equality, and faithfulness, words and deeds, and cannot be carried out under the threat of a big bar, not at the expense of China's right to development. We believe that mature politicians in the United States can finally return to rationality, objectively and comprehensively understand Sino-US economic and trade relations, correct misconduct in a timely manner, and return the handling of Sino-US economic and trade frictions to the correct track.

(2) China firmly promotes the healthy development of China-US economic and trade relations

The United States and China are the world's top two economies. Sino-US economic and trade frictions are related to the stability and prosperity of the global economy and to world peace and development, which should be properly resolved. China and the United States have both interests and struggles. The two sides maintain a healthy and stable economic and trade relationship, which is in the fundamental interests of the two peoples and serves the common interests of the people of the world and is expected by the international community. China is willing to go hand in hand with the United States. In the spirit of mutual respect, cooperation and mutual benefit, we will focus on economic and trade cooperation, control economic and trade differences, and actively build a balanced, inclusive and win-win new Sino-US economic and trade order to jointly enhance the well-being of the two peoples. China is willing to restart bilateral investment agreement negotiations with the United States on the premise of equality and mutual benefit, and initiate bilateral free trade agreement negotiations in due course.

(3) China firmly safeguards and promotes reform and improvement of the multilateral trading system

The multilateral trading system with the World Trade Organization as the core is the cornerstone of international trade and the pillar of the healthy and orderly development of global trade. China firmly adheres to and upholds the rules of the World Trade Organization, supports an open, transparent, inclusive and non-discriminatory multilateral trading system, and supports reforms such as the global trade statistics system based on global value chains and



trade value added. Support the necessary reforms of the World Trade Organization and resolutely oppose unilateralism and protectionism. Adhere to the road of openness, mutual benefit and win-win, build an open world economy, strengthen cooperation within the multilateral framework of the G20 and APEC, promote trade and investment liberalization and facilitation, and promote economic globalization towards more open and inclusive, Pratt, balance, and win-win development.

(4) China firmly protects property rights and intellectual property rights

China attaches great importance to the protection of intellectual property rights and regards it as one of the most important contents for improving the system of property rights protection. China will continue to improve laws and regulations related to intellectual property protection, improve the quality of intellectual property review and review efficiency, and actively introduce a punitive damages system for intentional infringement, significantly increasing the cost of illegal activities. China strictly protects the legitimate intellectual property rights of foreign companies in accordance with the law, and will seriously investigate and deal with all kinds of infringement incidents and cases. Chinese courts have continuously improved the rules of litigation evidence in line with the characteristics of intellectual property cases, established a system of infringement damages to realize the value of intellectual property rights, strengthened the construction of intellectual property court systems, actively promoted the appeal mechanism for intellectual property cases at the national level, and ensured the unification of judicial standards and accelerated The intellectual property trial system and trial capacity are moving towards modernization. China is willing to strengthen cooperation in intellectual property protection with countries around the world, and it also hopes that foreign governments will strengthen the protection of intellectual property rights in China. China advocates the use of legal means to resolve intellectual property disputes and opposes the protection of intellectual property rights in any country.

(5) China firmly protects the legitimate rights and interests of foreign businessmen in China

China will focus on building an open and transparent foreign-related legal system to continuously improve the business environment and provide better and better services for enterprises from all over the world to invest and operate in China. China respects international business practices and abides by the rules of the World Trade Organization. It treats companies registered in China equally and treats them equally. China encourages various market players, including foreign-invested enterprises, to carry out various forms of cooperation and is committed to creating an equal competitive market environment. The Chinese government is highly concerned about the reasonable concerns of foreign investors and is willing to respond and work hard to solve specific problems reflected by enterprises. China has always insisted on protecting the legitimate rights and interests of foreign investors and their investment enterprises in China, and will strictly punish those who violate the legitimate rights and interests of foreign businessmen.

(6) China firmly strengthens reform and expands its opening up

Reform and opening up is China's basic national policy and the fundamental driving force for China's development. The direction of China's reform will not be reversed, and it will only continue to deepen. The door to China's opening will not be closed, it will only grow bigger and bigger. China continues to follow the established deployment and rhythm, unswervingly deepen reform, expand opening up, comprehensively promote the rule of law, and build a socialist country ruled by law. China has consistently played a decisive role in the allocation of resources in the market, giving better play to the role of the government, encouraging competition and opposing monopoly. Like other countries in the world, China has the right to choose its own development path, including the economic model, according to its own national conditions. As a developing country, China is not perfect, and is willing to learn from the experience and improve its institutional mechanisms and policies through reform and opening up. China will effectively manage its own affairs, firmly implement the innovation-driven development strategy, accelerate the construction of a modern economic system, and promote the high-quality development of the economy. China is willing to share new opportunities for China's development with all countries in the world. China will implement a high-level trade and investment liberalization and facilitation policy, fully implement the pre-entry national treatment plus negative list management system, greatly relax market access, expand the service industry to open to the outside world, further reduce tariffs, and build transparency, efficiency and fairness. The market environment, the development of a higher level of open economy, create a more attractive investment environment, and develop and share prosperity with all countries in the world pursuing progress.



(7) China firmly promotes mutually beneficial and win-win cooperation with other developed countries and developing countries.

China will work with the EU to accelerate the negotiation of the China-EU investment agreement and strive to reach an early agreement. On this basis, the China-EU free trade zone issue will be put on the agenda. China will speed up the negotiation process of the China-Japan-Korea Free Trade Area and promote the early conclusion of the "Regional Comprehensive Economic Partnership Agreement." China will further promote the "One Belt, One Road" international cooperation, adhere to the principle of building and sharing, and strive to achieve policy communication, facility connectivity, smooth trade, financial communication, and people's hearts, and add new momentum for common development.

(8) China firmly promotes the construction of a community of human destiny

Faced with a series of severe challenges facing human development, all countries in the world, especially the great powers, must shoulder the responsibility of leading and promoting international cooperation, respect each other and negotiate on an equal footing, resolutely abandon the Cold War mentality and power politics, and do not engage in me alone, you lose me. The zero-sum game does not engage in the dominance of beggars and bullying. It properly manages contradictions and differences, insists on resolving disputes through dialogue, resolves differences through consultation, and transcends civilizations by civilized exchanges, civilization and mutual understanding, transcending civilized conflicts, and coexisting civilizations beyond civilization. China will continue to play the role of a responsible big country and work with other countries to build a world of lasting peace, universal security, common prosperity, openness, tolerance and cleanliness.

Moral support from many, scant support. In the face of the uncertain international situation of unstable and insecure factors, China has not forgotten its initial intentions, has always been with the world, has followed the trend, has justice, and has taken the right path, unswervingly safeguarding the multilateral trading system, and unswervingly promoting the reform of the global governance system. Always a builder of world peace, a contributor to global development, and a defender of the international order, unswervingly promote the building of a community of human destiny.

(Note 1) United Nations Commodity Trade Statistics Database.

(Note 2) The US-China Trade National Committee and the Oxford Economic Research Institute report "Understanding China-US Economic and Trade Relations", January 2017.

(Note 3) Same as above.

(Note 4) Same as above.

(Note 5) China Automotive Industry Association website (>http://www.auto-stats.org.cn<).

(Note 6) General Motors website (>http://www.gmchina.com<).

(Note 7) Intel Corporation website (>http://www.intel.com<).

(Note 8) Apple's website (>http://www.apple.com<).

(Note 9) Ministry of Commerce of China: Research Report on Sino-US Economic and Trade Relations, p. 31.

(Note 10) Goldman Sachs website (>http://www.goldmansachs.com<), "Made in the USA or Made in China?" 25-year supply chain investment at the crossroads, May 2017.

(Note 11) Anga Manuel: "China's technology is not an enemy", "Atlantic" monthly magazine, August 2018.

(Note 12) Deutsche Bank: Estimating the Economic Interests between the United States and Its Major Trading Partners, June 2018.



(Note 13) Carnegie Endowment for International Peace: "The Political Barriers to US Exports to China and the US-China Trade Deficit," April 10, 2017.

(Note 14) Barry Eckengreen: The Privilege: The Rise and Fall of the Dollar and the Future of the International Monetary System, Oxford University Press, 2011.

(Note 15) China National Bureau of Statistics data.

(Note 16) Same as above.

(Note 17) PricewaterhouseCoopers accounting firm's strategic management consulting company: "2017 Global Innovation 1000".

(Note 18) Cornell University, European Business School, and World Intellectual Property Organization: Global Innovation Index 2018.

(Note 19) National Bureau of Statistics of China: Statistical Communiqué of China's 2017 National Economic and Social Development, February 28, 2018.

(Note 20) Press Office of the State Council of the People's Republic of China: 2017 China IPR Development Press Conference, April 24, 2018.

(Note 21) NBC website (>https://www.cnbc.com<), June 27, 2018.

(Note 22) The State Council Information Office of the People's Republic of China: White Paper on China and the World Trade Organization, June 2018.

(Note 23) Data of the Supreme People's Court of China.

(Note 24) China National Intellectual Property Office: "State of Intellectual Property Protection in China in 2016".

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(Note 26) Trademark Office of the State Administration for Industry and Commerce of China: "China Trademark Brand Strategy Annual Development Report (2017)".

(Note 27) Nicholas Lardy: "China: Forced technology transfer and theft? "N, Peterson Institute for International Economics, April 20, 2018.

(Note 28) China Central Government Portal (>http://www.gov.cn<), May 10, 2011.

(Note 29) The American Enterprise Institute website (>http://www.aei.org<), "China's Investment in the United States."

(Note 30) The "Indicators of Product Market Regulation" measures the degree to which market regulation policies in various countries hinder fair competition in products. The higher the score, the greater the obstacle. The indicator is based on the "Government's degree of control", "obstruction to entrepreneurship" and "obstruction to trade and investment". Since 1998, the indicator has been counted every five years, and the current year has been included in 1998, 2003, 2008 and 2013. Data collection uses questionnaire survey methods, which are filled out by relevant national officials. The indicator includes statistics for 35 OECD countries and 12 non-OECD countries. The products here actually contain the content of the service.

(Note 31) "Differential Treatment of Foreign Suppliers", a secondary indicator of the "Inhibition of Trade and Investment" section of the "Product Market Regulation Indicators", based on shipping, land and air transport. Restrictions, restrictions on the employment of foreign professionals, restrictions on complaints from relevant foreign subjects, restrictions on anti-competitive behavior, regulatory policy barriers, and trade facilitation measures,



reflecting the degree of discrimination of a country's products against other countries' products. High indicates that the more serious the discrimination.

(Note 32) OECD website (>http://www.oecd.org<).

(Note 33) The White House website (>http://uscode.house.gov<), the Purchase of American Products Act, which supplements the appropriate relaxation of restrictions.

(Note 34) The White House website (>http://uscode.house.gov<), the Purchase of American Products Act, also supplements the circumstances in which appropriate restrictions can be relaxed.

(Note 35) The US Congress website (>https://www.congress.gov<), the Agriculture, Rural Development, Food and Drug Administration and Related Institutions Appropriations Act.

(Note 36) The US Congress website (>https://www.congress.gov<), the National Defense Authorization Act.

(Note 37) The US Congress website (>https://www.congress.gov<), Foreign Investment and National Security Act of 2007.

(Note 38) According to the annual report submitted by the US Foreign Investment Commission (CFIUS) to the US Congress, the US Treasury website (>https://www.treasury.gov<).

(Note 39) US Treasury website (>https://www.treasury.gov<), November 21, 2008.

(Note 40) The US Congress website (>https://www.congress.gov<).

(Note 41) Good Work Priority Organization website (>https://www.goodjobsfirst.org<), March 2015.

(Note 42) Good job priority organization website (>https://subsidytracker.goodjobsfirst.org<).

(Note 43) Same as above.

(Note 44) The US Treasury website (>www.treasury.gov<).

(Note 45) The US Department of Energy website (>http://www.energy.gov<).

(Note 46) Good job priority organization website (>https://subsidytracker.goodjobsfirst.org<).

(Note 47) Joseph Grub and Patrick Westerhof: The Farm Act of 2014 and the World Trade Organization, Journal of American Journal of Agricultural Economics, 2015.

(Note 48) Randy Schnepf: The Farms Act Clause and WTO Compliance, US Congressional Research Bureau, April 22, 2015.

(Note 49) Randy Schnepf: Farm Safety Net Expenditure under the Farm Act 2014, US Congressional Research Bureau, August 11, 2017.

(Note 50) UNCTAD website (>http://unctad.org<).

(Note 51) The US Congressional Accountability Office issued a report in 2006, "US-China Trade - Cancellation of Non-Market Economy Methods Will Reduce Some Enterprises' Anti-dumping Duties."

(Note 52) Mr. Gary Hollick, who served as Assistant to the US Department of International Trade Administration from 1981 to 1983, described the alternative country choice to the Congressional Finance Committee: when a person draws a conclusion, he often relies on a Sensible understanding, such as the towel case against China, we listed Pakistan, Thailand, Malaysia, Democratic Germany, Colombia and India as substitutes, but this list does not have any rationality.



(Note 53) "232 Investigation" means that the US Department of Commerce authorizes the investigation of whether a particular product import threatens US national security under Section 232 of the Trade Expansion Act of 1962, and submits a report to the President within 270 days after filing the case. The President made a decision within 90 days whether to take final measures for the import of related products.

(Note 54) Chad Bowen Twitter, May 27, 2018.

(Note 55) "Article 201" refers to Sections 201-204 of the US Trade Act of 1974. Under the terms of the provision, the US International Trade Commission (USITC) conducts a global safeguards investigation of products imported into the United States, and decides whether the increase in product imports will cause serious damage or serious damage to the US domestic industry, and submits it to the President in 120 days. Reports and recommendations. The President is authorized by law to make a final measure of decision within 140 days of receiving the US International Trade Commission report.

(Note 56) "Article 301" is a common name for Article 301 of the US Trade Act of 1974. Under this clause, the United States can investigate trade practices of other countries that it considers to be "unfair" and negotiate with the governments of the countries concerned. Finally, the president decides to take retaliation measures such as raising tariffs, restricting imports, and stopping relevant agreements.

(Note 57) Peterson Institute for International Economics website (>http://piie.org<), "Rogue 301: Trump is ready to re-use another outdated US trade law?" ».

(Note 58) Robert Wade: "American Paradox: Free Market Ideology and Stealth Practice Driven by Guidance," Cambridge Journal of Economics, May 2017.

(Note 59) Office of the President of the United States, December 2009.

(Note 60) Office of the President of the United States, August 2010.

(Note 61) Office of the President of the United States, June 2011.

(Note 62) National Association of Manufacturers, December 2011.

(Note 63) US President's Office and National Science and Technology Commission, February 2012.

(Note 64) Office of the President of the United States, 2011.

(Note 65) Office of the President of the United States, National Science and Technology Commission, Office of Advanced Manufacturing Country Project, January 2013.

(Note 66) US Department of Energy, April 2013.

(Note 67) US Office of Science and Technology Policy, March 2013.

(Note 68) National Institute of Standards and Technology, May 2013.

(Note 69) National Science and Technology Commission, October 2016.

(Note 70) US Center for Strategic and International Studies, March 2018.

(Note 71) Wayne Morrison: China-US Trade Issues, US Congressional Research Bureau, March 6, 2017.

(Note 72) Ball State University, USA: The Myths and Realities Made in the United States, June 2015.

(Note 73) Ali Reich: The Effectiveness of the WTO Dispute Settlement Mechanism, Department of Law, European University Research Institute, November 2017.

(Note 74) Trump Twitter, January 3, 2017.



(Note 75) Trump Twitter, July 3, 2018.

(Note 76) CNN website (>https://www.cnn.com<), April 3, 2018.

(Note 77) The Peterson Institute for International Economics website (>https://piie.com<).

(Note 78) Peterson Institute for International Economics website (>https://piie.com<), Trump, China and Tariffs: From Soybeans to Semiconductors, June 18, 2018.

(Note 79) The New York Times website (>https://nytimes.com<), "What is the trade war with China at the front line?" ».

(Note 80) Reuters, "The Impact of US-China Trade Tariffs on US Enterprises," July 30, 2018.

(Note 81) The Huffington Post website (>https://www.huffingtonpost.com<), "The largest nail manufacturer in the US will soon be suspended due to Trump tariffs," June 29, 2018.

(Note 82) The Peterson Institute for International Economics website (>https://piie.com<), "Trumps' Motor Vehicle Tariffs Will Make American Automakers Out," May 31, 2018.

(Note 83) The National Taxpayers Alliance website (>https://www.ntu.org<), May 3, 2018.

(Note 84) The American Automobile Manufacturers Alliance website (>https://autoalliance.org<), June 27, 2018.

(Note 85) NBC website (>https://www.nbc.com<), July 2, 2018.

(Note 86) The Charlotte Observer website (>https://www.charlotteobserver.com<), How Trump Customs Damages Carolina, June 21, 2018.

(Note 87) The Bloomberg News website (>https://www.bloombergquint.com<), June 25, 2018.

(88) Adam Posen: "The Cost of Trump's Economic Nationalism: The Loss of Foreign Investment in the United States," July 24, 2018.

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Mobile: (b) (6)



Section 301

"Herman, Elizabeth (McCaskill)" (b) (6) From: mccaskill.senate.gov>

To: "Jackson, Christopher L. EOP/USTR" < christopher.l.jackson@ustr.eop.gov>

Cc: "Dennin, Mark (McCaskill)" (b) (6) mccaskill.senate.gov>

Date: Thu, 18 Oct 2018 11:21:19 -0400

Attachments 2018-10-18 - McCaskill Letter - USTR - List 3 Exclusion Process.pdf (1.45 MB)

Hello Chris,

Attached, please find a letter from Senator McCaskill requesting that USTR initiate an exclusion process for the U.S. businesses impacted by the "List 3" Section 301 tariffs. This issue was raised by Senator Grassley and Senator Portman in the recent SAGON meeting with Amb. Lighthizer. Thank you for your time and attention.

Liz

Elizabeth Herman Legislative Counsel Senator Claire McCaskill

@mccaskill.senate.gov



United States Senate

WASHINGTON, DC 20510

October 18, 2018

The Honorable Robert Lighthizer United States Trade Representative 600 17th Street NW Washington, DC 20508

Dear Ambassador Lighthizer:

I am concerned about the failure of the Office of the United States Trade Representative (USTR) to announce a process to obtain product exclusions from the tariffs in effect on \$200 billion of imports from China. Missouri companies need greater certainty and assistance in the wake of the escalating trade war, and I respectfully request you take swift action to provide for an exclusion process on these tariffs.

USTR's September 24 announcement of another round of tariffs on Chinese imports, a list that encompasses nearly half of all goods from China, reaches far beyond goods connected to China's theft of intellectual property, which was the justification for the Section 301 action. The goods subject to tariffs include thousands of ordinary imports purchased every day by businesses and consumers in Missouri. Without an exclusion process, USTR is causing severe damage without providing any opportunity to mitigate the unnecessary economic harm.

Based on the previous tariffs imposed under Section 301, it is clear that USTR understands the importance of an exclusion process. On July 6, the same day that tariffs were imposed on \$34 billion in imports, USTR announced an opportunity for the pubic to request a one-year exclusion of a particular product from the tariff.\(^1\) The Federal Register notice justified the tariff exclusion process by referencing concerns raised during the previous notice and comment period and noted that the June 20 notice included an announcement that an exclusion process would be established.\(^2\) In the exact words of the July 11 notice: "During the notice and comment process, a number of interested persons asserted that specific products...only were available from China, that the imposition of additional duties on the specific products would cause severe economic harm to a U.S. interest, and the specific products were not strategically important or related to the "Made in China 2025" program."\(^3\) The same procedures and standards were announced for the \$16 billion in tariffs announced on August 16. This same situation was true for the List One and List Two, which made up the first \$50 billion in imports targeted for tariffs. It remains true for the most recent \$200 billion in imports.



¹ Office of the United States Trade Representative: USTR Releases Product Exclusion Process for Chinese Products Subject to Section 301 Tariffs (July 6, 2018).

² Office of the United States Trade Representative, *Procedures to Consider Requests for Exclusion of Particular Products from the Determination of Action Pursuant to Section 301: China's Act, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation,* 83 Fed. Reg. 133 (July 11, 2018).

³ Office of the United States Trade Representative, *Procedures to Consider Requests for Exclusion of Particular Products from the Determination of Action Pursuant to Section 301: China's Act, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation,* 83 Fed. Reg. 133 (July 11, 2018).

In late August, I chaired a field roundtable of the Senate Homeland Security and Governmental Affairs Committee with representatives of Missouri manufacturing and agriculture. At this event, I learned about the impact of the tariffs on Albaugh, a manufacturer with 240 workers at a plant in St. Joseph. Albaugh is the largest privately held U.S. producer of crop protection products. The active ingredients for these farm products are often only available from China. If these herbicides and fungicides and similar products become more expensive, this will just be another cost passed on to America's farmers.

Lowe Boats, a boat manufacturer in Lebanon, Missouri, represented Missouri's recreational boat industry at the same field roundtable. This industry includes small and large businesses in places like Springfield, Ozark, Bolivar, and other Missouri cities and provides jobs to hundreds of Missourians. The Section 301 tariffs impact hundreds of components for recreational boats, including anchors, antenna receivers, engines, fuel injection pumps, propellers, and trailer tires. The rising cost of aluminum from the Section 232 tariffs and retaliation against the industry from foreign governments are already a threat to recreational boat manufacturers. These new tariffs will compound the rising manufacturing costs, and will inevitably be passed on to the consumer.

In my time traveling around Missouri, I have heard the stories of other small businesses concerned that they cannot withstand the additional costs on imported products not available from domestic sources. Anji Mountain, a small company in Maryland Heights, is in this very situation. The family-owned company invented, patented, and is the lone distributor of chair mats from China made from bamboo. Domestic sources cannot meet the needs of this small manufacturer, and the imported bamboo products pose no threat to our national security. Businesses like Anji Mountain should be permitted to petition for a tariff exclusion when they have no available American suppliers.

The Section 301 tariffs on wood flooring products are just the latest trade actions that have impacted Real Wood Floors in West Plains, Missouri, whose products are also affected by Chinese retaliatory tariffs on raw materials. While Real Wood Floor's finished products are manufactured in China, the flooring uses American lumber that China has hit with retaliatory tariffs of 25%. The combination of retaliatory export tariffs and the U.S. tariffs on the final wood flooring products are not only bringing the wood flooring industry in the U.S. to a standstill, but are harming the American lumber industry that companies like Real Wood Floors rely upon. In cases like these, supply chains are hit twice and harms to exporters impact connected importers.

The tariffs put Missouri companies at a competitive disadvantage and leave them at risk of losing major customers. Midwest Gloves & Gear, a small business based in Chillicothe, supplies consumer goods to stores like Home Depot and Ace Hardware. Cap America, with 275 employees in Fredericktown supplies customized headwear to local and national customers. Adding a 10% tariff to their costs, and eventually a 25% tariff is not sustainable for these businesses and gives foreign competitors an undue advantage. Companies like these should be permitted a fair and transparent tariff exclusion process to present their argument to USTR.



USTR should not only grant an exclusion process to every company impacted by the Section 301 tariffs, but it should also ensure an expedient review. Kansas City-based Midland Radio Corporation, a company with just 44 employees, is already paying tariffs related to an earlier Section 301 action. The company supplies retailers with imported products like CB radios and "walkie talkies." Though this company has access to an exclusion process, they cannot grow their business or plan for the future while they wait for an answer from USTR.

The exclusion process for the previous Section 301 tariffs on imports from China is designed to be effective. It provides some certainty to Missouri businesses in an uncertain global trading environment. I respectfully request that you establish an exclusion process for open to all products subject to tariffs under Section 301, and provide my office with feedback on timelines. To delay this action any further will only cause more harm to Missouri's economy.

Sincerely,

Claire McCaskill United States Senator